# The CREDIT WORLD

MARCH-APRIL, 1933
Vol. XXI No. 7

## Full Speed Ahead For the "New Deal"!


MAGAZINE · OF · RETAIL · CREDIT

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NATIONAL RETAIL CREDIT ASSOCIATION

1218 OLIVE STREET ST. LOUIS, MO.

# The CREDIT WORLD

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NATIONAL "OLD GUARD" DAY — THURSDAY MAY 4th 1933


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# Editorial Comment

## D. J. WOODLOCK

### Full Speed Ahead for the "New Deal"

WITH the inauguration of Franklin D. Roosevelt as President, things began to happen. A decade of achievement and action has been crowded into one month—our brain fairly whirls with the dynamic leadership of our new executive.

In rapid and yet orderly succession he has tackled Banking, Prohibition, Budget, Unemployment and Farm Problems. He has replaced fear with courage, uncertainty with assurance, despair with hope, and we have begun the onward march toward national prosperity.

Let us fall in line with President Roosevelt's leadership, set our jaws with his determination, catch the radiance of his smile, echo the assurance of his voice and, regardless of our political affiliations, stand squarely back of the President of the United States.

We are not out of the depression and it will probably be some time before we can breathe freely but we know the great tree of Credit is not dead and its arterial roots of Character, Capacity and Capital still live. After we have cut off the dead branches of commercialized dishonesty and the suckers of inflation which have sapped its energy, it will bud with renewed vigor and the nation, with a more definite realization of its value, will appreciate the slogan of the National Retail Credit Association, *"Treat Your Credit as a Sacred Trust."*

### Watch Unwise Legislation!

EVEN in these days, when the best thought of every good citizen should be directed toward promoting business recovery, we find an unusual number of individuals and organizations sponsoring bills in the various state legislatures inimical to the best interests of the retailer. It would appear that the retailer is still the "goat" for ambitious politicians and shyster lawyers seeking publicity or personal advantage.

In practically every state legislature there are bills pending relating to credits and collections, sales taxes, licenses, etc., which, *if passed,* will be unjust to the retailer, who is the most virile, aggressive and important factor in our commercial life.

Under the cloak of stabilizing legal procedure, a dozen state legislatures are considering bills to prohibit the operation of a collection department by local credit associations—to make it impossible for merchants to advise a customer that if his bill is not paid, it will be referred to the local credit associations!

There are bills permitting a landlord to seize household furniture for unpaid rent, although the furniture may have been purchased on the installment plan and not paid in full.

There are "sales taxes" of all kinds, which place a handicap on the retailer.

We credit executives who know that retailing is the motivating force of all business, and that only in proportion to its profitable and orderly conduct can we hope for national prosperity, must become interested in legislative matters!

*We cannot sit idly by while self-seeking or unsound-thinking individuals, with unholy political alliances, put over legislation of this type.*

Legislation which is adverse to the best interests of the retailer acts as a brake on our whole commercial system and is not in the best interests of the whole people!

Every member of the National Retail Credit Association, whether he be the representative of a corner grocery or a great department store, should become active in opposing unwise legislation.

These are problems that credit granters cannot cope with alone. Unified action is necessary. Lack of solidarity has always been the retailer's weakness, his tendency to "go it alone" making him easy prey. And that's just another reason why all retailers should be active members of the National Retail Credit Association.

### The Credit World

THIS issue of The CREDIT WORLD is a combination of the March and April numbers, as we took advantage of general business conditions to advance our date of publication to the 10th of the month, instead of the 15th as heretofore, enabling our members on the East and West Coasts to receive their magazine a week earlier.

## A New Banking Era

WE HAVE all learned much that we did not know about banking during the past few months. We have been shocked to learn how the trust of the depositors has been abused and how reasonable credit for borrowers has been restricted because credit was diverted to transactions of questionable worth and with all the earmarks of unsound credit.

Out of this must come a new order of banking which will give the depositor confidence in the institution in which he places his money for safe keeping. The millions formerly wasted in "wild-cat" ventures and high-powered financial schemes will hereafter be devoted to legitimate and sound business for the benefit of all.

Banking credit, for years glorified as the highest type of credit, has been rocked to its foundations, but the storm opens new and unlimited opportunities for sound thinking bankers to build a new financial system, the first principle of which will be protection of the depositor.

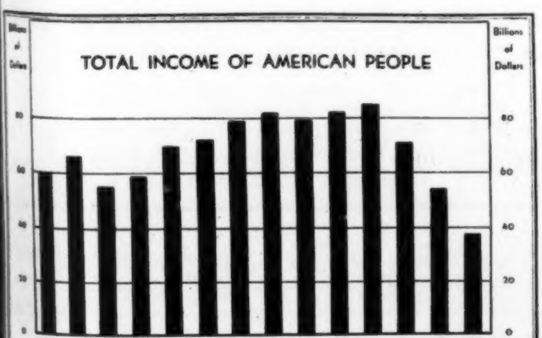
## Consumer Buying Power

RETAIL business volume must depend upon the buying power of our people. When the consumer does not purchase, it not alone slows up retail sales but factories are idle, railroads have no transportation and failure to earn on invested capital reflects to banks, insurance companies and holders of securities.

The National Industrial Conference has just reported a survey which indicates that the purchasing power of our industrial population has been reduced 43.6 per cent since 1929. This is due to wage reductions, shortening of working hours and unemployment.

All of these factors indicate industrial workers receive only 33.4 per cent as many dollars as in 1929. The fact that prices have declined and a dollar goes farther than in 1929 is taken into consideration in arriving at the figure of 46.3 per cent as estimated reduced purchasing power.

The chart below (reproduced from *World Business Digest*) graphically portrays the rapid decline in the income of the American people since 1929.



# Wage Cuts and Credits


## By LEONARD BERRY

**Credit Manager, B. Forman and Company, Rochester, N. Y.**


IN THE assignment given to me, "Wage Cuts and Credits," your Program Chairman has placed a finger with accuracy on the very nerve center of our retail credit situation.

Groping our way uncertainly out of the miasma of the economic furore of the past three years, one thing is being clarified, slowly but surely: "We must, as credit managers, review our policies and thought trends."

Although we are far from being on steady ground and a bit overwhelmed by the confusion of chaotic elements, yet the very difficulty of the situation and the real need of finding a way out, offer a challenge which should stiffen our resolution to think through the problem and speed up our mental processes to the point where we see a definite clear-cut picture of what we should do and why.

This is no academic discussion of an hypothetical riddle, but a serious attempt to face a fundamental phase of actual everyday procedure in extending credit—which is our job.

First let me hark back to those principles of credit, which deep down in our hearts we all know to be sound and basically true, but which, during the heyday of our glorious spree, in sublime disregard of economic virtues, we have permitted to gather the dust of neglect, the rust of disuse, and the subtle scorn of polite indifference. We all know, for instance, that credit is an "accommodation and a convenience," that it is or should be, predicated on the ability and willingness of the seeker after credit to pay when due, and that as such, it is a welcome tool in the legitimate development of store volume.

Another thing we know full well is the definite fact that the only reason for being in business is to make a living and to show a profit on our operations; and that fact being true beyond dispute, should we tolerate conditions which prevent the achievement of that perfectly legitimate goal?

This and many other fundamental facts are well known to us but, of a truth, we have strayed far from the observance and recognition of them. Looking back to the preceding era of prosperity, don't we find a wild extension of credit in all its phases? Don't we find, in the glorious period of easy times, the fundamental principles being thrust back into the limbo of forgotten things? And this is not a condemnation of a few or a criticism of one or two.

We were all inspired alike. We were all under the spell of rising markets, the ready and apparently limitless demand for labor, and old "volume" was rising higher and higher. Most people were able to buy and did, encouraged by the storekeeper and credit manager.

Now for a moment just think of the transition in the credit situation during the past decade or so. We can readily recall when credit was the prerogative of the few, the accolade of financial stability, the tacit recognition of undoubted possession of the three basic prerequisites of credit, "Character, Capital and Capacity." Credit was then *extended soundly*. Even if the recipients of the accommodation did not always meet the obligation promptly, the account was safe and capable of ultimate satisfaction.

Gradually the bars were lowered and credit became more than a tool of business—it became a direct aid in securing volume. Charge accounts were solicited generally, and under the pressure of supersalesmanship, alluring advertising, and social competition, the purchasing of merchandise on open account became the general thing.

Credit was easy. In the years culminating in 1929, labor conditions were the best in history; standards of living raised materially, the privilege of the day before yesterday became the right today of everybody. Volume increasing, the general level of prosperity rising, the majority of bills were paid without much effort, losses were small and of no great concern.

Stronger and stronger surged the urge for volume and more volume. Credit was extended as a necessity to insure sales and not as a convenience for which it was first intended. This extension of credit as a necessity instead of a convenience leads to the building up of a false prosperity which eventually topples over and can only be arrested by a deflation of wages and again a deflation of credit.

*Editor's Note:*

**This article is from an address delivered at the Tenth Annual Joint Conference of the Retail Credit Men of New York State and members of the Associated Retail Credit Bureaus of New York State, Inc., Schenectady, N. Y., February 19-21, 1933.**

Thus credit applied as a stimulus to business may go beyond its rightful place in the scheme of things and become transformed from a tool into a two-edged sword, dangerous to him who wields it, and when the productive power of the future has been wrongly gauged, the succeeding situation is one of peril and sometimes disaster.

The situation in which we find ourselves is one where the tool of credit has been used without credit discrimination. And although it was probably used safely enough while employment continued to be plentiful, wages high, and profits generous, when our bountiful period came to an end the top-heavy structure collapsed and here we are facing serious problems which challenge our courage and thought.

"Wage Cuts and Credits." An important part of the business of extending credit is embodied in this phrase. Wages have, of course, been generally reduced to lower levels. Management, faced with the imperative necessity of reducing overhead compatible with the lowering of volume and reduction of profit, turns to the pay roll and eliminates accumulated deadwood and unnecessary routine, and reduces the remuneration of those who are left.

I think you will all agree that it must be definitely recognized that we are in a new era; that "wage cuts" are really more than that—they are part of the transition period to the new order of things. Further, that we must become accustomed to the idea that an approximation of the present price-level will probably be the norm for some time to come, and that we are faced with the necessity of educating ourselves, as credit executives, and then of controlling the situation for the masses, to the revival of sanity in personal finance and the reinstatement of credit principles in business operations.

We must chart our course for today and tomorrow. In order to do a good job now, the credit executive must stiffen his backbone somewhat, he must obtain and maintain a clear and realistic picture of the whole situation, and he must lead his management out of the dilemma, not fearfully or doubtingly, but forcefully and confidently. Seldom has the credit manager been put to such a test. Seldom has his caliber and capacity been more definitely necessary.

New standards of percentages, collections and losses, new adjustments and evaluation of personnel, all predicated on the lower wage level. What a change, and what a challenge. To accomplish an orderly transition from one era into another, the credit manager must first be awakened to his own part in the scheme of things and then be big enough to carry through on the basis of his own ability and knowledge. He must be a big factor in the general stabilization of business.

Now for a few concrete suggestions as to how we must begin this rehabilitation of sound credit granting. First and foremost, the customer on our books who has kept pace with his or her obligations for years must be watched during the period of transition lest the disruption of standards and the failure or unwillingness to make adjustments to lowered income, turns the account from a profitable and satisfactory one into a hazard and charge-off risk.

At the same time [illegible] must guard carefully that most valuable but intangible asset, "good will," built up slowly over the years and of infinite importance, but which can be dissipated as quickly as mist before the summer sun by unintelligent and discourteous treatment. While every business transaction is complete in itself and every store gives value received for each purchase, yet the loyalty and continued patronage over the years confers a responsibility on the store to be understandingly sympathetic when the customer is in temporary difficulties.

At the same time, the credit manager stands in the dual rôle of guardian of the tremendously important "Accounts Receivable" and also of friend, counselor, and guide to the customers; responsible for the safety of accounts opened and used, and charged with seeing to it that the customer comes back and finds pleasure in your store.

Weigh the dual responsibility carefully; let not your mind become so cold and metallic that the intensely human factor of the equation is not valued correctly. Use unceasing vigilance, understanding knowledge of your customer, recognition of the danger signals, prevention of pyramiding and watchfulness lest the purchases be allowed to go beyond the ability to pay.

Look out especially for payments on account which are not in relation to amount outstanding. Small payments (compared to balance due) should be regarded as warnings of impending danger. Tighten up your collection procedure so that your demands for payment may be made regularly, always carrying a message of the importance and necessity of adhering to terms.

Formulate and maintain a definite collection policy of persistent but courteous efforts to obtain what is rightfully due you. Do not let spasmodic clean-up campaigns grip your department and then slip back into lazy and sloppy methods. There is no royal road to collections, nor any panacea for all credit department troubles.

Eternal watchfulness and knowledge, *use of your credit bureau,* analysis of your own past records, credit based on ability to pay, will assist you to avoid serious danger with your customers already on the books.

Now, as to new accounts. We must bear in mind the lowered income and difficulty of employment being even reasonably secure. Here, we must be clear in our thinking, and "give credit only where credit is due."

There has seldom been a time when more care should be exercised in the scrutiny of new applicants for credit. Driven by the urgent necessity to obtain merchandise, or the unwillingness to adjust to lowered income, many people are prone to seek credit who by the application of the credit yardstick should be restricted or not granted such accommodation.

Here, the closest cooperation of the credit bureau is essential. The credit bureau comes into its own as the ultimate safeguard of the credit manager in sounding a

(*Continued on page* 31.)

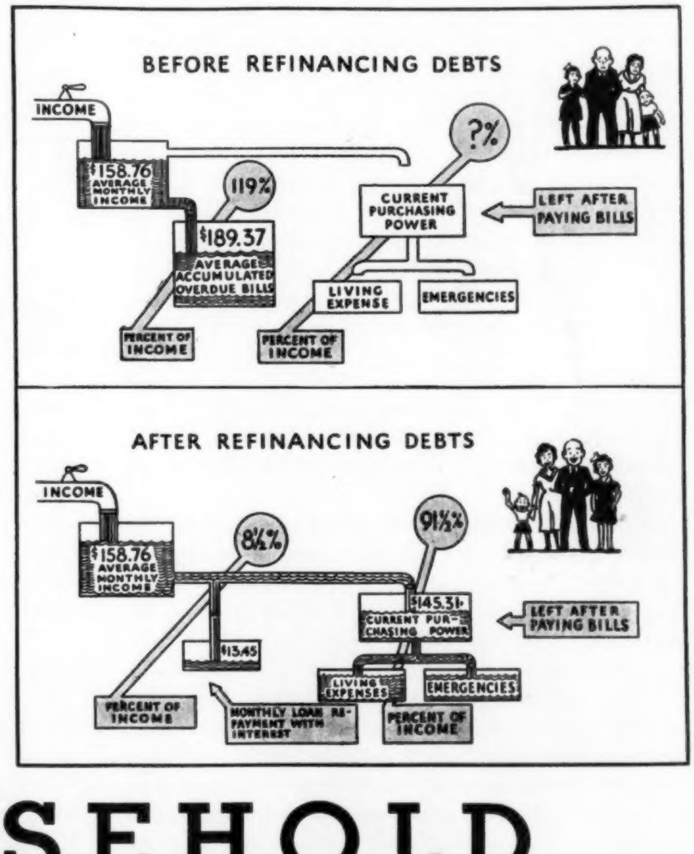
# Consumer Refinancing Restores 90% Income Buying Power

WAGE CUTS, unemployment, and emergencies the last few years caused 240,000 of Household's customers to suffer an accumulation of bills, mostly retail and professional, which they refinanced during the first ten months of 1932.

The average monthly income per borrower was $158.76 per month. When they obtained their refinancing loans, their obligations were listed at an average of $189.37 each. Pressure from creditors obviously was crippling their living standards, curtailing their active credit and purchasing power, and, with the bills due or overdue in a lump, they were unable to pay enough on them to make much headway in liquidation or in increasing their creditors' working capital.

Refinancing by borrowing on the installment small-loan plan allowed them to pay all these bills immediately, and their current or monthly obligation was reduced to an average of $13.45 per month for repayment of the loan principal with interest.

Whereas their past-due obligations amounted to considerably more than a month's income, refinancing allowed them to restore their purchasing power to 90 per cent of their income. In other words, income remained at an average of $158.75, obligations were cut to $13.45 per month, and the difference, an average of $145.31 per month per borrower, was left to buy goods and services.

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# Meeting Present-Day Competition Through Intelligent Credit Control

By CLAYTON HERMAN

Credit Manager, Sibley, Lindsey and Curr Company, Rochester, N. Y.

"MEETING competition" is often used as one of those fine-sounding, meaningless alibis frequently used in merchandising, to conceal the fact that we have run out of ideas and intend to do something—often unprofitable and sometimes unethical—which we would not normally do. It might also be better phrased as "trying to catch up with competition"—by doing what competitors have already done, in a manner designed to attract business through loss of profits.

There is absolutely no economic justification in the broader sense, for doing business at a loss in order to keep a competitor from doing business at a profit. But the business of retailing is as yet so unscientific that very, very few have any idea of exactly where the line between profit and loss may lie, especially in any matter connected with the extension of credit.

How then, can credit be controlled in the face of severe competition, without loss of profit, without unwise special privileges or costly extension of terms and without loss of prestige with customers? Obviously only by first ascertaining the facts about credit, about terms, about collections, and about our methods of credit granting.

But there we meet our first difficulty, for we find that there are no facts available (on this subject) except certain percentages of monthly collections obtained by different concerns in different lines of business in different cities.

Normally, the measures of control and excellency in credits and collections have been these monthly percentages. The credit manager measures his success for the month either against his own preceding month or against the percentage of his competitors. If the percentage is low, he feels that something must be done about it and a certain amount of frantic dunning is the result, to restore what he calls normal percentage.

There are no known facts *why* the Smith store has a collection percentage of 40 per cent and the Brown store 65 per cent. Possibly those concerns have a vague idea that 60 per cent of the people in Smithtown are slow pay and only 35 per cent of the people in Brownsville are habitually delinquent!

Nothing could be farther from the truth. It is more likely the token of the efficiency of the guesswork of the credit manager, for most credit granting has been simply more or less expert guesswork. Is there any logical reason *why* the bills from the department store, the coal dealer, the finance company, and the grocer should show wholly different collection percentages from the same customers?

If it was found that 50 per cent of transactions were errors or 50 per cent of bills rendered came back for adjustment, it would certainly cause a painstaking investigation of the causes for so great a number of mistakes. If even 10 per cent of the *sales* of a ten-thousand-dollar business were going wrong, not only would someone be on the griddle, but an immediate investigation of the exact causes would ensue.

*Why, then, even in a million-dollar business of Accounts Receivable do we completely ignore the fact that collection percentages are 40 or 50 or "what-have-you" per cent and that someone's judgment or ability or backbone is weak?*

### Editor's Note:

**This article is from an address delivered at the Tenth Annual Joint Conference of the Retail Credit Men of New York State and members of the Associated Retail Credit Bureaus of New York State, Inc., Schenectady, N. Y., February 19-21, 1933.**

Of course, a certain number of customers get into unforeseen difficulties, but that accounts for only a small percentage of delinquencies. Outside of that, what is happening in *your* business that you are now putting on your books a large percentage of accounts of persons whose bills will not be paid when due? And then, at what point does the profit on your delinquent accounts vanish? Until both of these questions can be answered accurately, we are not going to get very far with credit control.

Retail establishments of all kinds are beginning to learn the importance of costs and trends in all merchandising operations—a separation of the profitable from the unprofitable business, so that the paying items may be pushed and the loss reduced as much as possible on the non-paying merchandise that policy dictates must be carried.

Credit managers have in their charge the largest single item of investment in most retail concerns. We rather pride ourselves on our importance, on our organization, on our cooperation as professional people, resenting any implication that this business of extending credit is a routine that any clerk could handle.

It seems strange that neither the credit managers nor the merchants in general have discovered that the business of extending credit is just as susceptible of control

through cost and statistical facts as the business of manufacturing or the business of buying and selling goods.

I am going to make this statement: that, based on the detail knowledge the average credit manager has of the costs of his credit department, of the profitable and unprofitable credit lines and of the facts and statistics underlying his terms and collections, he is not entitled to consider his job as a profession. He has utterly failed to adopt more than the beginnings of scientific management.

Perhaps it will be well to mollify any injured feelings by saying further that if the average credit manager conducted the production of a manufacturing plant upon the basis on which he conducts his credit department, it would be a miracle if the concern survived.

Statements like this certainly require some justification and so I should like to put this in the form of a series of questions. Here are some questions—not intended to cover the whole field at all, but to suggest some trains of thought:

Do you, in your credit office, maintain a record of the number of accounts or payments past due by months and the amounts past due by months?

That sounds like old stuff—aging of accounts—but *do you age your accounts* monthly and do you record both the number and amounts regularly, establishing a graphic or statistical picture of the trends of your business? Have you established weighted averages for accounts of varying periods and amounts overdue, so that you may have an index of the collection efficiency of your office?

Having established the trends, do you seek carefully and scientifically for the reasons for changes that appear, or for the reasons for unsatisfactory showings—or having these facts, do you shut them up in a book with no further concern as to their meaning? If you show a steady increase—in numbers and amounts—of accounts 90 days past due, does it stir immediately the urge to make an investigation to find exactly the reason for this increase?

*"You can probably tell me immediately the cost of mailing bills but can you tell the day or week that past-due statements should be mailed to receive best attention?"*

Or do you simply say, "Times are bad" and look around the corner for prosperity? Let me remind you that times have been bad now for a long while and this is no longer a good alibi for slow collections.

If anything, collection percentages should rise now, not fall. If your percentage is falling, exactly what is it that you are doing or not doing or half-doing that is placing on your books the increasing debts of customers who cannot or will not pay their bills when due?

Have you made an examination of your bad debt losses over a substantial period of time, establishing the reasons for loss and tabulating these reasons so that you are able to announce and attempt to check the major causes of loss in your establishment? Are your losses from *old* customers or *new* customers . . . from failure to investigate references or failure to act on unfavorable reports that you have?

Have you examined the seriously slow accounts over a considerable period of time, tabulating the reasons you attribute? Let me give a few of the reasons you may find:

Inadequate investigation when opening accounts.
Carelessness in permitting overbuying.
Failure to clearly fix terms when establishing accounts.
Sickness.
Reduction in pay which you could have foreseen.
Careless reopening of closed accounts.
Failure to close overdue accounts quickly enough.
Failure to recheck credit bureau reports.
Plain credit man's laziness, etc.

I know of one concern which found that the majority of its troublesome cases came from the injudicious reopening of accounts once closed for slow pay. Naturally, means were taken to remedy it. I know of another in which the major reason for slow accounts had been the failure to close past due accounts quickly enough. In still another, the failure to have a complete understanding the first time an account was overdue.

## DO YOU *KNOW* THE REASON FOR THE SLOW ACCOUNTS IN YOUR BUSINESS?

Can you announce with authority that such and such accounts show a profit and another group of accounts are unprofitable, and prove your figures? Have you computed and do you compute regularly the actual cost of carrying accounts past due *in your business?*

That *sounds* simple. You may say, "Just divide credit section costs by the amount outstanding and add one-half of 1 per cent interest for extra months taken," and any cost accountant would put you in the kindergarten for such a statement. The cost of carrying slow accounts is cumulative. There is a certain direct cost of extra salaries, collectors and what not, as well as interest added for *each* month that an account is carried past due. It

(*Continued on page* 29.)

# Character—Today and Yesterday


## By CHARLES F. SHELDON

**Manager, Merchants' Credit Bureau, Inc., Boston, Mass.**


THE business peak of 1929 was reached only after years of consistent expansion. Probably the expansion of transportation from stagecoach to railroad, to automobiles, and then to airplanes, furnished the incentive which carried business, both manufacturing and distribution, along to unprecedented heights. It was but natural that our living conditions should likewise become more complex and that credit should be used, to quickly bring the manufacturer's product to the consumer.

Retail credit granting had been practiced for many years, and had built a strong foundation. The procedure of granting and collecting credit, however, does not seem to have improved in refinement as rapidly.

Promiscuous credit extension fostered by a fetish for volume, has permitted certain evils to permeate what otherwise is a very decided force for greater distribution. In rare instances we find courageous souls who, with face to the east, daily plod along the lines of the ideal in credit granting. The odds are against individuals making much headway. Nevertheless, they are showing us the way of improving and refining the art of extending credit.

A detailed recital of the history of retail credit granting would serve no good purpose, but the understanding that its basic principles are the same today as ever before, may lead us to a clearer understanding of the one cardinal virtue that lessens the hazard of credit extension—*character*. During the period our country was in the formative stages, our forefathers not only hewed out a solid foundation for future business growth, but built a very sound character in their people. They did not have perhaps, financial soundness, but hardships, individually and collectively, gave them compensation in a strong trustworthiness.

Living as they did in comparatively small groups, their interests were communal and they not only shared each other's joys, but also sorrows, and became intimately acquainted with each other's real character. Is it any wonder then, that the individual who took upon himself the task of distributing the material needs of these groups, could permit the purchaser to take merchandise and pay in the future, or in small payments, previously agreed upon?

Their requirements being limited, the general storekeeper was the only merchant retailing in their community and hence, had no competition. He felt secure that balances owed to him by his customers were not only the total of the customers' indebtedness, excepting of course, pledges to banks for real estate, but knew they considered this service an honorable debt, and one that must be fulfilled. Neither did he have the problem of extending credit to strangers, as we had not yet begun, on a large scale, to be a cosmopolitan people.

If, perchance, a customer did not pay and it was necessary to make repeated requests, which did not bring forth a payment, it was not only a crime against the storekeeper, but the community, and one that would ostracize the individual and place a stigma against the entire family group. Consequently, this penalty was a great deterrent to nonpayment, if a member of the community wished to remain in good standing, and be known as an honorable citizen.

It was inevitable that with the consistent expansion of our small communities to towns and cities, there were created greater problems of distribution, which afforded a less intimate knowledge of the customer's character, and strangers were no longer the exception. The store owner could not greet all customers, and his personal contact was therefore practically lost.

To meet this exigency it became necessary to ask questions before granting credit, if we were to obtain our former intimate knowledge of our customer's character. This bred trouble, because, fearing loss of sales, instead of insisting on all the facts, we became satisfied with a skeleton picture, thereby extending credit haphazardly, and at an increased cost of doing business.

As competition increased, credit protection decreased, until today, although great corrective methods have been taken, credit extension is still too individualistic. Credit is given when it would better be withheld; customers who do not pay, or who pay unsatisfactorily, are often given further or additional credit.

This policy has greatly lessened the one vital force for prompt payment—loss of credit standing in the community. As a matter of fact, occasionally the customer who goes into bankruptcy still retains his credit standing, and is looked upon by many as a better risk than before bankruptcy, regardless of the fact that his action has saddled his burden on the shoulders of the community, and that it has not changed his true character.

Our very complex living standard of today makes it exceedingly hard to keep expenditures under income, and

so there is created the necessity of complete knowledge of conditions before extending credit, and the abolition of all practices which tend to give an opportunity for further laxness in character habits.

The National Bureau of Economic Research (*The Business Week,* August, 1932) indicates that 98 per cent of the individual income recipients of the United States earned less than $5,000 from all sources in 1929. In the aggregate, this vast group received 78.6 per cent of the total individual income, while 21.4 per cent went to the other 2 per cent.

Yet, the 98 per cent accounted for 76.2 per cent of the total expenditures for merchandise, services, taxes and savings, and bought 83 per cent of the goods and service alone. It is evident that the brunt of the burden of purchasing the goods and services offered for sale in the American market, rests upon the overwhelming proportion of people with small incomes.

This condition has forced laxness in the habits of some of our people and they no longer have the fear of loss of community standing. Some of our people who live in excess of their incomes, although inherently honest, do not deal with their creditors on as high a plane today, as formerly. Old credit standards are insufficient to meet today's requirements and certain present practices, if discontinued, would bolster this very unpleasant trend in laxness.

Insufficient investigation of applicants requesting credit not only increases slow accounts placed on the retailer's books, but when legal action is taken, the courts are not entirely sympathetic, if proper safeguards have not been taken before opening the account. We, therefore, limit the usefulness of a powerful ally in creating respect for promptly honoring credit obligations.

Such practices as August fur sales, deferred billing, ridiculously small down-payments, and lack of unity of action in closing accounts because of their interruption of habit, contribute to completing the final emancipation of customers from fear of losing community standing and are manifested by our present rate of collections and potential increased losses. Constant repetition of these practices over the past years of profitable business has helped to change paying habits.

Some customers, quite credit-wise, knowing how to avoid payment and the feeble results of legal action, assume a most callous and unsatisfactory attitude of indifference to all pleas for payment. The one redeeming feature of extending credit is—that heredity has inculcated in the character of the majority of people, the habit of paying, some time, at least.

It seems to become a matter of re-educating the public, by unity of action, to the realization that the stigma attached to loss of credit standing, means as much today as it did years ago in the small community. Now is a propitious time for a more concentrated credit and collection policy. Individualism in this department of business may be good for a merchant for a while, but the damage to the community will prove to be eventually, as we are now witnessing during this present period, a boomerang.

It is imperative that we make the paying of bills promptly a coveted honor to possess. This does not require any special gift in the art of legerdemain, but merely re-educating the customer to his duty by community action.

» » »

## *Business Improving*

With the advent of spring business conditions are brighter. The steel trade, which is taken as a barometer of big business, is at 19 per cent of capacity whereas it was down to 12 per cent a few months ago.

The oil industry, that means so much to these western states, has about absorbed its surplus and is slowly coming back to normal. Gold mining is on a scale of more intensive activity than in many years. It is altogether likely that silver bullion will soon come back to a point where it can be mined profitably and that means much to these western states.

One encouraging sign is the return of traveling salesmen to their old jobs. Hotel registers prove this. Last year the sample rooms in Denver hotels were vacant. Right now they are in demand again. Business houses are reaching out after new business. The nation has exhausted its stocks of goods and traveling salesmen are filling their order books.

This year will go down in history as the era of recovery. Credit bureaus already report better conditions. Many farmers are paying off their debts and we city people have quit whining. Tax collections prove that our people are not broke. They were merely scared. In the United States are about 20 billion dollars in safety bank deposits. That money is going to come out of hiding. Millions of people are going to wear good clothes again. America was the best dressed nation in the world but at present the old clothes we are wearing are badges of beggary, not at all necessary. It is time for us to quit nursing a fat bank roll, dress up and step out.

Shall America lag behind when other nations like Canada and England are coming back to normal? We do not believe so. We have all learned a good lesson. This year the income of our nation will be 60 billion dollars and it is not going to be shot on Wall Street. It will be spent wisely and thriftily. A banker of Edinburgh, visiting Denver, said the people of his nation could live on what the people of our nation waste, per capita. Let us spend wisely, but spend.—*An Editorial by Albert E. Hayes in the Denver Post, Feb. 23, 1933.*

# Protect Yourself Against Credit Losses

## *By Consulting Your Credit Bureau for Complete Up-to-Date Information on Each Credit Applicant*

### For This Extra Effort in Investigating His Rating Before Making the Sale, Experience Proves That You Will Be Liberally Rewarded by a Very Noticeable Decrease in Credit Losses

## This Result Is Achieved Easily by Using Telautographs Between Your Credit Department and Bureau

### BECAUSE—

TELAUTOGRAPHS will permit you to WRITE over wires direct to the Bureau, without the knowledge of the applicant, and secure a reply, in handwriting, giving you the information desired, and so quickly that neither the prospective customer nor the Credit Grantor will realize that any time has elapsed. This will allow you to obtain new and good accounts for the store more quickly than with any other manner of operation and build up good will (so necessary these days) for the store. Verbal communication in the presence of a prospective new customer is not only obvious and embarrassing to both the credit man and the prospective customer but, in event of error on the part of the human element involved, its failure to leave a record will always allow shifting of responsibility. There can be no "passing the buck" when telautographs are used.

WITHOUT good merchandise your advertising would avail you nothing, whereas with excellent merchandise your advertising does attract new customers daily. Many of these, accustomed to saying "charge," and who have good ratings elsewhere, will resent slow granting of credit, and likewise become offended easily. Consequently, all applicants should receive immediate attention and accounts opened at once or rejected courteously. If only one account is lost each day because of delayed or embarrassing action, all the advertising and your fine stocks fail to make good—not only this one lost customer but also the possible loss of those friends to whom he or she will criticize your methods.

*In Addition*

## TELAUTOGRAPHS---

### By Means of Their Quick Action on Credit Applications, Speed Up Deliveries and Fast Deliveries on New Accounts Help Increase Customer's Good Will Which Results in a Corresponding Increase in Sales.

*Telautograph Service Is Economical Too---Costing About $1.00 Per Day*
(YOU SUPPLY WIRES AND CURRENT)

*22 Bureaus Now Connected to More Than 150 Stores and Banks by This Method*

Ask Us to Send Our Man to See You---No Obligation of Course

**DEPENDABILITY** **ECONOMY** **SERVICE**

## TELAUTOGRAPH CORPORATION

FACTORY AND GENERAL OFFICES: 16 WEST SIXTY-FIRST STREET, NEW YORK, N. Y.

We Have Forty-Five Branch Offices Serving Over 450 Cities in the United States

# Profitable Store Operation Demands an Interest Charge on Past-Due Accounts


## By THOMAS W. GARLAND

**President, Thomas W. Garland, Inc., St. Louis, Mo.**


**An Address Before the Associated Retail Credit Men of St. Louis, February 9, 1933**

AS I AM about to ask this organization to undertake a task that would be of great benefit to the merchants in this community and, for that matter, to the public in general and because this task that I hope to be able to impose upon you will blaze a new trail and—for the reason that to attain the end that I will outline to you, cooperation will be necessary and because cooperation is difficult to obtain—I wish to call your attention to a brief review of the history of this organization.

During the depression in 1907, the need for obtaining information on retail credit accounts was impressed upon your speaker through very heavy losses on a comparatively small volume of charge business. A discussion of the matter with his associates produced little or no enthusiasm. Everyone admitted that it was impossible to obtain information, reports or trade experience from one another either promptly or accurately.

However, it was impossible to stir up a sentiment in favor of a central reporting agency on account of the theory of those in charge of some of the stores, that they controlled the major part of the charge trade and believed that if this information was furnished to a central office, charge names would become public property and that other stores having at that time very few charge customers would obtain the names from the central office and solicit the accounts of the houses having the most charge customers.

At that time, we had two retail credit reporting agencies in the city, both of which issued books of rating on rather a comprehensive list of customers and this was deemed sufficient to meet the need of the time.

Time-payment business was being done on a large scale, both in clothing and furniture, and appeared very successful at that time. Admittedly, the credit losses were large. The mark-up, however, seemed to be high enough to show a net profit.

A few years later, about 1910, in other than installment stores, the charge business on open accounts began to increase very rapidly as compared with cash business, probably because of the public learning through installment buying the convenience and desirability of this form of credit. Or, perhaps, salespeople spread the news that so-called monthly charge accounts, in most stores, carried the "pay as you please" privilege.

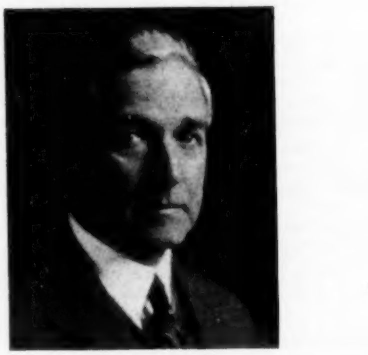
It was then (and still is) notorious that the regularity, frequency and the amount of payment depends either upon the customer's sense of obligation and desire to liquidate his or her indebtedness or upon the patience and the policy of each individual credit manager. It would have been then (no different today) a very presuming cashier who upon being offered a $5.00 payment, for instance, on a $40.00 account would call the customer's attention to the fact that she was liquidating but one-eighth (1/8) of her indebtedness. The light dawned upon us then that we were doing an installment business without the regular installment stores' mark-up.

This expansion of retail credit without any facilities for checking credit risks increased the respect for your


(*Continued on page* 32.)


### THOMAS W. GARLAND

**This talk, delivered before the Associated Retail Credit Men of St. Louis, was the last public appearance of Mr. Garland. Two days later, while assisting a stalled autoist out of a mudhole, he suffered a heart attack and died instantly.**



**Mr. Garland was an outstanding merchant. His firm, Thomas W. Garland, Inc., is known as one of the best women's wear stores in St. Louis. He was a civic leader, active in every betterment movement for business and community interests.**

**It was his enthusiastic support that in 1916 made possible the organization of the Credit Bureau of the Associated Retail Credit Men of St. Louis and his whole-hearted endorsement of the National Retail Credit Association and its policies was responsibile for the cooperation and harmony which made the St. Louis Association a leader in all things promoting better credits.**

# A Message from the Chairman of the "Old Guard" Committee

## By LEOPOLD L. MEYER

PERMIT me, as chairman of the Old Guard Committee, to express my deep appreciation of the fine cooperation that has thus far been accorded from all quarters in connection with the formation of the local committees, upon whom I must depend for the development of the ideas and plans which will be presented from time to time in connection with the promotion of the Old Guard objectives.

Elsewhere within the pages of The CREDIT WORLD will be found the complete roster of the membership of the Old Guard Committee, and it is impossible for me to conceive of anything but success in the present undertaking if each and every one of the men and women named therein will dedicate a bit of his time and effort to this common cause.

The developments in our nation's economic affairs such as have been observed within the past several weeks have been sufficiently significant to awaken each and every person within the broad confines of our country to a realization of his individual responsibility and to his obligation to cooperate with his fellow-citizens in any matter pertaining to the revamping of our national government, our commercial set-up, and perhaps, more selfishly, those elements of business with which he is more closely affiliated as an individual.

Regardless of what other factors have precipitated the economic disorder that we are experiencing, it is an acknowledged fact (even among the less well informed) that unsound, though well-intended, credit procedures reaching as far as our national government have been the cause of our commercial disruption; and further, equanimity and order cannot be restored until practical rules for credit procedure in all branches of government and business in the future are established.

The lack of confidence in our national institutions in general and in our banks in particular, which has become prima facie, has evolved as a result of indefinable influences that have surreptitiously undermined the morale of our citizens and until there is a re-genesis of confidence from new hopes the uninterrupted functioning of our economic forces will not be recurrent.

It is a point well to be taken into account by our retail merchants that great thoughts move as slowly as great bodies in attaining an ultimate goal, and that before national confidence is recovered local confidence must be restored, and that retail credit may be a most important factor in such restoration. That faith which the merchant may repose in his patrons by the judicious extension of credit is the same faith that will ultimately necessarily abide between cities, states and nations before the overhanging dark cloud will reveal its silver lining.

The credit men of this country will be called upon, even though they may not realize the fact, to lend a helping hand in revivifying commercial activity, and their responsibility must be accepted courageously.

It is confidently hoped that the significance of this situation impresses all involved and that none of our confreres will be so mean and selfish as to restrict his

(*Continued on next page.*)

## Objectives of "Old Guard" Committee

**1. To arouse themselves to a consciousness of their own significance in the credit world and to arouse the credit fraternity as a whole from its dormancy in credit affairs in general and in the affairs of the National Retail Credit Association in particular.**

**2. To develop outstanding credit men in their respective communities and to cultivate potential leadership in these men in order that such men might, in the course of events, and through meritorious accomplishments, ultimately administer the affairs of the National Retail Credit Association.**

**3. To suggest and work out educational features which will add interest to local Association meetings.**

**4. To advise and counsel bureau managers for the purpose of developing the bureau, both as regards service and necessary revenue.**

**5. To sponsor, encourage and cooperate in the establishment of new credit theories and policies practicable under the new economic conditions.**

**6. To prepare short, inspirational articles for "The Credit World," which articles shall be given especial publicity by the editors.**

**7. To educate the merchants of this country to the necessity of sending their credit managers to conventions in order to insure a contact with other credit managers, as a result of which a badly needed broader interchange of credit thoughts and ideas may be developed; and also to remind the merchants that the Memphis Convention is to be dedicated to a serious consideration of the vital problems now confronting the credit fraternity.**

# WORTH NOTING « «

## A Digest of Credit News
## For Quick Reading

### *Columbia Regional Conference*

The sixth annual conference of Credit Bureau Managers of the Columbia Regional District, held in Washington, D. C., February 20, 21, was unusually interesting. Forty-four bureaus were represented. President James D. Hays of Harrisburg, Pennsylvania, presided.

The discussions for the first session were handled by V. A. Rogerson of Clarksburg, West Virginia. The second session was handled by E. J. MacEwan of Morristown, New Jersey. The third session was devoted to a discussion of Consumer Credit, handled by Earl Wright, Manager of the Southeastern District of the National Consumer Credit Reporting Corporation.

Vincent A. Rogerson of Clarksburg, West Virginia, was elected president for 1933.

Manager-Treasurer D. J. Woodlock of the National Retail Credit Association was the speaker at the dinner on February 20, which was attended by a large number of members of the Washington Association.

» » »

The twelfth annual conference of the New England Retail Credit Grantors will be held at Swampscott, Massachusetts, May 22, 23. The meetings will take place at the Ocean House and an interesting program has been prepared.

Other conferences scheduled are as follows:

Louisiana Retail Credit Association Convention, Lake Charles, May 15, 16.

Retail Credit Conference of the Pacific Northwest, Vancouver, B. C., May 15, 16.

Texas State Meeting, Galveston, May 22, 23, 24.

» » »

### A Message from the Chairman of the "Old Guard" Committee

(*Continued from preceding page.*)

concern and his efforts solely to a contemplation of his own personal emergencies, but will rather extend himself to the limits of his capabilities in cooperating in the solution of a complicated problem, which, to any individual single-handed, must appear unfathomable.

It is possible that the Old Guard Committee itself will be the medium through which the credit men of this nation may express themselves and give active evidence of their willingness to bear their share of the burden and contribute their iota to the regeneration of business.

### *Southern Conference*

The Southern Conference of the National Retail Credit Association, held at Savannah, Georgia, March 20, 21, proved very interesting. The merchants and credit managers of Savannah, realizing that conditions made it impossible for many to attend from distant points, registered 110 strong. About 50 attended from the district.

L. S. Gilbert of Atlanta presided over the Service Group and Earl Wright, District Manager of the N. R. C. A., was on the program.

» » »

The Associated Retail Credit Men of Birmingham, Alabama, are working on a plan to encourage weekly or semi-monthly settlement of accounts whether they be accounts of the department store or corner grocer. The thought behind the movement is that small payments can be made with greater convenience to the customer.

» » »

The policy of very liberal charge-off of slow and uncollectible retail accounts appears to be the order of the day. Many members of the National Retail Credit Association who in years past had losses of less than ½ per cent, have charged off from 1 to 5 per cent. Much of this is considered collectible in time, but credit managers are playing safe.

» » »

D. J. Woodlock, Manager-Treasurer of the N. R. C. A., was the speaker at the sixth annual meeting of the Arlington County Credit Association in Clarendon, Virginia, on February 21.

» » »

The annual report of the Credit Bureau of Washington, D. C., indicates a record of outstanding achievement. All of the stock originally subscribed by the merchants has been repaid and a substantial surplus set aside. Manager Steve Talkes and his associates were highly complimented by bureau managers attending the Columbia Regional Conference.

» » »

Only 14 per cent of all retail food stores are reported on a strictly cash basis.

» » »

A check of one hundred credit bureau members of the N. R. C. A. indicates an average falling off of 15 per cent in retail store reporting service, due to decreased demand for charge accounts.

» » »

***National "Old Guard" Day, May 4, 1933***

# Roster of the "Old Guar

BIRMINGHAM, ALABAMA

3—P. A. Nichols, *Goodyear Service, Inc.*
4—G. B. Bagley, *Pizitz Dry Goods Co.*
5—Paul C. Vaughan, *Loveman, Joseph & Loeb*
6—E. L. Murphy, *People's Finance & Thrift Company*
7—Leo M. Karpeles, *Burger-Phillips Co.*

LITTLE ROCK, ARKANSAS

3—J. W. Strawn, *807 West Seventh St.*
4—Wm. R. Arendt, *Wallace Building.*
5—Chas. D. Hill, *Pfeifer Brothers*
6—Miss Stella Comer, *M. M. Cohn Co.*
7—J. R. Johnson, *Schaer-Norvell Tire Company*

BERKELEY AND OAKLAND, CALIF.

3—G. L. Kuhnel, *J. F. Hink & Son—Berkeley*
4—A. R. Macoon, *J. F. Hink & Son—Berkeley*
5—Donald H. Furth, *Capwell, Sullivan & Furth—Oakland*; R. E. Westberg, *Store Collection Bureau—Oakland*
6—Harry L. Bunker, *The H. C. Capwell Company—Oakland*
7—Roy Wickman, *Montgomery Ward & Company—Oakland*; O. M. Sylvester, *Golden Gate Cloak House—Oakland*

LOS ANGELES, CALIFORNIA

3—Wm. W. Weir, *The May Company*
4—Lloyd M. Crosthwaite, *Barker Bros.*
5—E. K. Bartlett, *Weatherby Kayser Shoe Company*
6—S. E. Edgerton, *Broadway Dept. Store*
7—Warren W. Miller, *Bullock's*

SACRAMENTO, CALIFORNIA

3—Irwin K. Sibole, *John Breuner Co.*
4—E. G. Casey, *Hale Brothers*
5—A. A. Cullen, *Eastern's*
6—F. R. Murphy, *Sutter Hospital*
7—A. F. Henning, *Retailers' Credit Assn.*

SAN FRANCISCO, CALIFORNIA

3—Frank D. Francis, *The Emporium*
4—Joseph E. Noonan, *Shreve, Treat and Eacret*
5—Harry Jeffreys, *Anglo & London Paris National Bank*
6—Frank Batty, *Hale Bros.*; Walter V. Howe, *Sommer & Kaufman*
7—Edward J. Dollard, *O'Connor-Moffatt & Company*

SAN JOSE, CALIFORNIA

3—Phil Herold, *Herold's Shoe Company*
4—Arthur Muir, *Hale Bros.*
5—Kenneth Boosey, *Pacific Gas & Electric Company*
6—Miss Louise Knoeppel, *Springs, Inc.*
7—H. P. Webb, *L. Hart & Son Co., Inc.*

DENVER, COLORADO

3—F. T. Leonard, *Daniels and Fisher Stores Company*
4—W. M. Ewing, Jr., *The Neusteter Co.*
5—Elmer E. Munn, *Gano-Downs Co.*
6—William Glass, *Cottrell Clothing Co.*
7—Russell H. Fish, *The May Company*; Chas. M. Reed, *The Retail Credit Men's Association*

WASHINGTON, D. C.

3—Charles M. Keefer, *S. Kann Sons Co.*
4—Harry V. Ostermayer, *Woodward & Lothrop*
5—Miss Elsie Lee, *Jelleff's*
6—J. W. Tallentire, *The Hecht Co.*
7—S. H. Talkes, *Retail C. M. Ass'n*

MIAMI, FLORIDA

3—H. H. Knoll, *Sears-Roebuck & Co.*
4—C. P. Younts, *Frank T. Budge Co.*
5—Fred Vollmer, *Burdine's, Inc.*
6—E. P. Moller, *Florida Lt. & Pow'r Co.*
7—E. Lloyd Knight, *Knight Hardware & Paint Co.*

ATLANTA, GEORGIA

3—L. S. Gilbert, *Credit Service Exch.*
4—James M. Clyatt, *J. P. Allen & Co.*
5—J. J. Doran, *Davison Paxon Co.*
6—H. H. Fettes, *Sears-Roebuck & Co.*
7—A. B. Madison, *Master Loan Service, Inc.*

SOUTH BEND, INDIANA

3—A. E. Reasor, *Indiana Lumber & Mfg. Company*
4—Paul O. Kuehn, *Kuehn's Shoe Store*
5—Mrs. Florence Loughlin, *Frances Shop*
6—Mrs. Verne Zimmerman, *Ellsworth's Store*
7—Chas. E. Speth, *George Wyman & Company*

WICHITA, KANSAS

3—Don M. Mitchell, *Morris Plan Co. of Kansas*
4—H. D. Smith, *Kan. Gas & Electric Co.*
5—J. G. McBride, *The Geo. Innes Co.*
6—Miss Thelma Osborne, *Care of Dr. J. G. Missildine*
7—Miss Ruth H. Walter, *Clark Hardware Company*

ALEXANDRIA, LOUISIANA

3—Frank Hemenway, *Hemenway Furniture Company*
4—Walter Crockett, *Dependable Finance Company*
5—M. H. Strong, *Sears-Roebuck & Co.*
6—E. E. Frantz, *C. A. Schnack Jewelry Company.*
7—L. J. Moriarity, *Guaranty Bank & Trust Company.*

BATON ROUGE, LOUISIANA

3—Fred Bahlinger, *Kornmeyer Furniture Company*
4—Miss Marion O. Brooks, *Belisle's*
5—George Moore, *The Dalton Company*
6—Evans Roberts, *Welsh & Levy Clothing Company*
7—L. C. Stephenson, *Globe Furniture Company*; Louis Selig, *Rosenfield D. G. Co.*

HAMMOND, LOUISIANA

3—Fitz J. Lewis, *Hammond Credit Men's Association*
4—L. V. Settoon, *Gents' Furnishing Store*
5—M. E. Causey, *Hammond Wholesale Company*
6—P. P. Vail, *Hammond Ice Deliv. Co.*
7—G. A. Forbes, *Forbes Furniture, Inc.*

MONROE, LOUISIANA

3—Sam W. Davis, *The Palace*
4—Herbert Fink, *Fink, The Tailor*
5—E. Jack Selig, *Men's Clothing Store*

**General Chairman: Leop. L. Meye**[rs] ... **Dry**

Vi[ce-Chairmen]:

3—Frank Batty, *Hale Br*[os.] ...
4—James R. Hewitt, *The* ...
5—Franklin Blackstone, ...
6—H. Victor Wright, 346 ...

Sherman L. Gilfillan
David J. Woodlock
W. H. J. Taylor
Lindley S. Crowder

Editor's Note: *The numbers preceding the* ... *Guard" Objective to which each has been assigned.* ... *responsibility for Objective No. 7. (See list of Obje*[ctives] ...

6—W. D. Anders, *Montgomery Ward & Company*
7—L. Jack Hayes, *Collen's Pharmacy*

NEW ORLEANS, LOUISIANA

3—W. G. Finnan, *L. Feibleman & Co.*
4—W. J. Fischer, *Progressive Company*
5—E. J. Dobard, *Surety Credit Company*
6—S. A. Mayor, *Krauss Company*
7—J. Henderson, *Mayer Israel Company*

SHREVEPORT, LOUISIANA

3—S. J. Forester, Jr., *Selber Bros., Inc.*
4—W. E. Leonard, *Feibleman's, Inc.*
5—L. V. Gibbs, *M. Levy Company*
6—C. T. Glass, *Chain Battery System*
7—Sam Smith, *Baird Company*

BALTIMORE, MARYLAND

3—Ellis Epstein, *Hochschild Kohn & Co.*
4—George Stocksdale, *Hecht Bros. & Co.*
5—G. Raymond Elton, *O'Neill & Co.*
6—Louis Hilbert, *Stewart & Company*
7—Godfrey E. Harris, *The May Co.*

SPRINGFIELD, MASSACHUSETTS

3—Geo. W. Dunham, *The Albert Steiger Company*
4—Herbert L. Ames, *Forbes & Wallace, Inc.*
5—Fred P. Strout, *Haynes & Co., Inc.*
6—Alexander J. Guffanti, *Springfield National Bank*
7—Geo. A. Lanciaux, *Meekins, Packard & Wheat, Inc.*

DETROIT, MICHIGAN

3—H. G. Godfrey, *The J. L. Hudson Co.*
4—R. V. Chaffee, *The Ernst Kern Co.*
5—Warren L. Brody, *Russek's*
6—J. T. Rose, *Crowley-Milner Company*
7—Howard C. Sparks, *Muscle Shoals Land Corporation*

DULUTH, MINNESOTA

3—John H. Coad, *Gately Company*
4—R. L. Durham, *Duluth Glass Block Stores Co.*
5—Albert Mark, *Freimuth, Inc.*
6—A. C. Pearson, *French & Bassett*
7—George Fairley, *Retail Credit Ass'n*

MINNEAPOLIS, MINNESOTA

3—Ben Collins, *Warner Hardware Co.*
4—P. H. Carr, *Standard Clothing Co.*
5—Milton J. Solon, *The Dayton Co.*
6—H. W. Hoklas, *Young-Quinlan Co.*
7—S. L. Gilfillan, *Credit Service Ex.*

# Committee -- April 1, 1933

...s. Dry Goods Co., Houston, Texas

...n:

...isco, California
...re, Maryland
...ler, Pittsburgh, Pennsylvania
...Avenue, Glendale, California

LeRoy T. Pease
Ralph W. Watson
Justin H. Edgerton
A. D. McMullen

...ers and Local Committee Chairmen indicate the "Old ... to his duties as General Chairman, has assumed the

SAINT PAUL, MINNESOTA

3—James Lightfoot, *Bannon's, Inc.*
4—William C. Traynor, *R. N. Cardozo & Bros.*
5—Ralph A. Walker, *Mutual Credit Rating Exchange*
6—John A. Gobeil, *Daily News Publishing Company*
7—Joseph C. Barnes, Jr., *Union Loan and Finance Company*
F. H. Koch, *Schunemans and Mannheimers*

JOPLIN, MISSOURI

3—Don Day, *The Empire Dry G. Co.*
4—J. H. Robb, *The Newman Merc. Co.*
5—Edward G. Farmer, *R. & S. Motor Sales Company*
6—Mrs. Hazel Grove, *The Ramsay Dry Goods Company*
7—K. W. Story, *The Christman Dry Goods Company*

KANSAS CITY, MISSOURI

3—S. L. Fogel, *Woolf Brothers*
4—H. J. Burris, *John Taylor Dry G. Co.*
5—R. O. Casemore, *Kline's, Inc.*
6—M. G. Riley, *Merchants Ass'n Credit Bureau, Inc.*
7—A. G. Evans, *J. W. Jenkins' Sons Music Company*

SAINT LOUIS, MISSOURI

3—Earl Paddon, *Lammert Furn. Co.*
Sig Wolfort, *Stix, Baer & Fuller Dry Goods Company*
4—C. F. Jackson, *Famous-Barr Company*
5—W. T. Snider, *Scruggs-Vandervoort-Barney Dry Goods Company*
Sig Wolfort, *Stix, Baer & Fuller Dry Goods Company*
6—E. F. Horner, *Kline's*
7—Wm. Hammersmeier, *Werner & Hilton*

LINCOLN, NEBRASKA

3—John Ayres, *C. W. Fleming Jewelry Company*
4—Joe Owens, *Miller & Paine, Inc.*
5—Roy Amos, *Magee's, Inc.*
6—H. B. Smith, *Gold's Department Store*
7—G. D. Pegler, *Iowa-Nebraska Light & Power Company*
Byron Dunn, *Nat. Bank of Com.*

OMAHA, NEBRASKA

3—Robt. L. Page, *N. W. Bell Tel. Co.*
4—J. H. Taylor, *Assoc. Retail C. Bureau*
5—H. O. Wrenn, *Neb. Clothing Co.*
6—Mrs. C. E. Haney, *Herzberg's, Inc.*
7—C. F. Basler, *Thos. Kilpatrick Co.*

NEWARK, NEW JERSEY

3—Hugo A. Zaremba, *N. J. Bell Telephone Company*
4—F. J. Fitzpatrick, *Kresge Dept. Store*
5—W. P. Barton, *Hahne & Company*
6—W. Howard Smith, *R. H. Muir, Inc., East Orange, N. J.*
7—H. B. Shuster, *L. Bamberger & Co.*

NEW YORK, NEW YORK

3—J. H. Zelch, *Gimbel Brothers*
4—Walter Strickland, *Best & Company*
5—W. J. Morgan, *Brooks Bros.*
6—J. E. Brice, *Bloomingdale Bros.*
7—M. H. Consorty, *Saks—Fifth Avenue*

ROCHESTER, NEW YORK

3—Clayton Herman, *Sibley, Lindsay & Curr Company*
4—Leonard Berry, *B. Forman Company*
5—Miss Mary Huddy, *E. W. Edwards & Son*
6—F. A. McLaughlin, *McCurdy & Co.*
7—J. Gordon Ross, *Rochester Gas and Electric Corp.*

CINCINNATI, OHIO

3—Edward Knapp, *Mabley & Carew Co.*
4—Arthur Wagner, *Hanke Bros.*
5—Jack Williams, *Fair Store Company*
6—Miss Alice Engelhardt, *Potter Shoe Company*
7—F. W. Walter, *The H. & S. Pogue Co.*

CLEVELAND, OHIO

3—Joseph G. Ost, *Cowell & Hubbard Co.*
4—Chas. R. Egeler, *The Halle Bros. Co.*
5—Giles C. Driver, *The May Company*
6—Harry P. Chadwick, *The B. R. Baker Company*
7—Wallis Slater, *The Sterling & Welch Company*

DAYTON, OHIO

3—Oliver Lanfersieck, *Wayne Furniture Company*
4—Everett Braun, *Elder & Johnston Co.*
5—Kenneth Rench, *The Fashion*
6—Edw. Powers, *The Home Store*
7—Thos. R. McKee, *The Rike-Kumler Company*

TOLEDO, OHIO

3—Carl A. Peachey, *The Lion Dry Goods Company*
4—Glenn L. Roberts, *The Home Furniture Company*
5—Chas. H. Dicken, *The La Salle & Koch Company*
6—Britton D. Churchman, *The Lamson Brothers Company*
7—L. L. Moore, *The Lion Dry Goods Co.*

YOUNGSTOWN, OHIO

3—R. L. Baldwin, *The Shriver-Allison Company*
4—C. E. Jolly, *Bond Clothing Company*
5—H. G. Cushing, *The G. M. McKelvey Company*
6—C. N. Jackson, *The Youngstown Ice Company*
7—O. L. Pfau, *The Strouss-Hirshberg Co*

ENID, OKLAHOMA

3—Miss Flo Felt, *The Newman Mercantile Company*
4—Loren Loomis, *Loomis Furniture Co.*
5—Ernest Osborn, *Oklahoma Gas & Electric Company*
6—Delmar Anderson, *Prudence Thrift & Investment Company*
7—Earl Weibel, *Weibel's Home Dairy*

OKLAHOMA CITY, OKLAHOMA

3—R. L. Fry, *Rothschild's*
4—H. L. Pickett, *Morris Plan Bank*
5—Miss Julia Collar, *Kerr D. G. Co.*
6—F. A. Whitten, *Rorabaugh-Brown Dry Goods Company*
7—Henry Martin, *McEwen-Halliburton Company*

TULSA, OKLAHOMA

3—H. R. Stuart, *Halliburton-Abbott Co.*
4—Floyd Marshall, *Mayo Furniture Co.*
5—J. R. McKee, *Palace Clothiers*
6—Miss Marion Leleu, *Brown-Dunkin Dry Goods Company*
7—Wm. F. Latting, *Remedial Finance Company*

PORTLAND, OREGON

3—Roy R. Hudson, *Irwin-Hodson Co.*
4—John N. Keeler, *Credit Reporting Co*
5—Chas. L. Ferris, *Montag Stove & Furnace Company*
6—Geo. H. Bickford, *Diamond Fuel Co.*
7—J. S. Brooks, *Kilham Stationery & Printing Company*

PITTSBURGH, PENNSYLVANIA

3—Leon Michaels, *Harris Dept. Store.*
4—Thomas L. Ford, *Boggs & Buhl*
5—Franklin Blackstone, *Frank & Seder*
6—William B. McConnell, *Oppenheim, Collins & Co., Inc.*
7—Harry E. Wilson, *Gimbel's*

PROVIDENCE, RHODE ISLAND

3—Paul Burhoe, *N. E. Physicians & Dentists Corp.*
4—C. E. Donilon, *Callender, McAuslan & Troup Co.*
5—Ernest Thompson, *Caesar Misch, Inc.*
6—Joel J. Pincus, *The Outlet Company*
7—John Cambia, *The Shepard Company*

MEMPHIS, TENNESSEE

3—J. Porter McClean, *Oak Hall Clothing Company*
4—W. T. C. Berlin, *Hunt-Berlin Coal Company*
5—Hubert C. Stroupe, *Memphis Light & Power Company*
6—Lee T. Ford, *Chip Barwick Chevrolet Company*
7—W. R. Kendall, *Stewart Bros. Hardware Company*

NASHVILLE, TENNESSEE

3—L. P. Thweatt, *Keith-Simmons*
4—Ben C. Nance, *First Industrial Bank*
5—Hugh L. Reagan, *Cain Sloan Co.*
6—Chas. K. Taylor, *Burk & Company*
7—R. H. Poindexter, *Loveman, Berger & Teitlebaum, Inc.*

AUSTIN, TEXAS

3—E. E. Jarmon, *Carl Mayer Jewelry Company*

*(Continued on next page.)*

## Roster of the "Old Guard" Committee

(Continued from page 17.)

4—FRANCIS J. AMSLER, *E. M. Scarbrough & Sons*
5—LESLIE A. COLWELL, *E. L. Steck Co.*
6—WM. A. KESSLER, *Retail Merch. Ass'n*
7—CARL MUELLER, *The Carl Mueller Co.*

DALLAS, TEXAS

3—H. M. TOBOLOWSKY, *E. M. Kahn Co.*
4—ROBERT STERN, *A. Harris & Company*
5—JOHN L. COTTINGHAM, *Reynolds-Penland Company*
6—J. P. OLIVE, *Titche-Goettinger Co.*
7—Z. M. HAWK, *Sanger Bros.*

EL PASO, TEXAS

3—E. D. HODGE, *Business Men's Protective Association*
4—O. C. LEACH, *Stock's Grocery*
5—H. P. HUFF, *The White House*
6—A. S. JACOBS, *Popular Dry Goods Co.*
7—R. H. RODGERS, *El Paso Electric Co.*

FORT WORTH, TEXAS

3—E. G. PARKER, *First National Bank*
4—OWEN M. JONES, *Moore Rubber Co.*
5—JOHN CLARK, *Monnig's*
6—JOHN E. PHILLIPS, *The Fair*
7—E. G. GRAVES, *Retail Merch. Ass'n*

HOUSTON, TEXAS

3—MARLEY STYNER, *John L. Wortham & Son*
4—T. A. WILLBERN, *Dollahite-Levy Co.*
5—MIKE WEINSTEIN, *Foley Bros. Dry Goods Company*
6—A. F. KUHLEMAN, *Krupp & Tuffly, Inc.*
7—L. M. JAHN, *Sakowitz, Bros.*

SAN ANTONIO, TEXAS

3—PAUL J. KATZMARK, *A. C. Toudouze Furniture Company*
4—C. C. WITCHELL, *Wolff & Marx Co.*
5—RALPH FROEBEL, *S. A. Pub. Service Co.*
6—MISS LILY KEMMERER, *Frost Bros.*
7—PAUL J. KATZMARK, *A. C. Toudouze Furniture Company*

WICHITA FALLS, TEXAS

3—FLOYD L. RANDEL, *Fox Chevrolet Co.*
4—JOHN C. COFFEY, *Wichita Falls Finance Company*
5—ALVAH CONNER, *American Refining Co. Properties*
6—G. W. SOSEBEE, *Perkins-Timberlake Co., Inc.*
7—JACK M. JEFFUS, *City National Bank*

SPOKANE, WASHINGTON

3—HARLEY J. BOYLE, *The Crescent*
4—E. K. BARNES, *First National Trust & Savings Bank*
5—WALTER JENSEN, *Credit Men's Rating Bureau*
6—ED KING, *Palace Store*
7—JOE HUNT, *Spokane Title Company*

TACOMA, WASHINGTON

3—GEORGE MILSTEAD, *People's Store*
4—JUDSON BENTON, *Bonded Adjustment Company*
5—ARTHUR STURLEY, *Baldy Finance Co.*
6—CARL RUTHERFORD, *Klopfenstein's*
7—J. S. TAYLOR, *Friedman Jewelry Co.*

MILWAUKEE, WISCONSIN

3—G. MILLER, 2553 *North Palmer Street*
4—FRED KRIEGER, *Ass'n of Commerce*
5—A. C. WEHL, *Gimbel Brothers*
6—ROY COOK, *Edwards Motor Car Co.*
7—ERWIN KANT, *Schusters Stores*

# Announcing... National "Old Guard" Day! Thursday, May 4, 1933

▼

Never in our history was the time more opportune to show the faith that is in us by a nation-wide recognition of the important part Consumer Credit has in our nation's business, its fundamental soundness, the necessity of safeguards, and the responsibility reposed in the Credit Manager.

Leop. L. Meyer, Chairman of the "Old Guard" Committee, whose names are listed in this issue, has proposed a unique plan, which should have the whole-hearted support of every member.

A. D. McMullen of Oklahoma City, Past-President of the National Retail Credit Association, has been appointed Chairman of "Old Guard" Day—Thursday, May 4.

On this day, in every city throughout the country the local credit association will hold a meeting honoring the credit fraternity. All the merchants and professional men of the community will be invited and addresses by outstanding speakers will be featured.

The purpose is to arouse retailers, professional men and credit managers to the importance of organization, credit education and co-operative effort on all matters relating to credit.

This will be the feature event of our entire National history. Get in touch with the "Old Guard" Committee or your local Secretary and help to make May 4 a day long to be remembered.

D. J. Woodlock

# Carrying-Charge Plan Successful In Canada

By F. A. MATATALL

Office Manager, Charles Ogilvy, Limited; Past President Ottawa Credit Exchange, Limited, Ottawa, Canada

WE HAVE followed with interest the articles in The CREDIT WORLD dealing with carrying charges on delinquent accounts and although our city may not be as large as some of those where community credit policies have been adopted, we feel that we have working here a plan which is mutually satisfactory and we are outlining below the salient features of this plan.

We felt that when putting such a plan into effect the charge should be sufficient to not only produce a revenue but also to result in the acceleration of payments and with this in mind we decided on a carrying charge (being careful to call it a *carrying charge* and not interest) of 1 per cent monthly. This plan was adopted by all of the larger stores in the city, with the exception of one which has always formulated its own credit policies and which carries on business on a slightly different basis from the rest of the stores. The method of operation is simplicity itself.

The accepted terms in our city call for payment at the *end* (not the 10th) of the month following date of purchase. When we decided to put this plan into effect, we gave all our customers notice ninety days in advance of our intention to do so, all stores using practically the same wording. These notices read somewhat as follows:

### MONTHLY CHARGE ACCOUNTS

The use of monthly charge accounts by customers of our store has become more and more prevalent during the past few years. On the whole this privilege has been appreciated by those to whom it has been extended, but unfortunately some have habitually permitted their accounts to exceed our 30-day terms, until it has become necessary to reconsider the whole question of the extension of credit to the public.

At a meeting of the retail merchants recently held, it was decided that those who showed their appreciation of the extension of credit facilities by payment of accounts as agreed should be given every encouragement to use charge accounts, but that on the other hand, those whose delinquency in the payment of their accounts had become habitual should be made to bear some portion of the additional expense that their tardiness caused.

The extra clerical help, collection expense, bad debts, stationery, postage, etc., made necessary by this delinquency, constituted a serious burden on the merchants and it was decided that in future a carrying charge of 1 per cent per month would be made on all delinquent monthly accounts.

We have subscribed to this plan and from September 1 forward this carrying charge will be added to all monthly accounts on which balances have been standing longer than our regular terms permit.

It was decided to allow thirty days' grace before the carrying charge would actually be added. For example: Charges made in October would be due for payment by the 30th of November. If this account is paid before the statements are mailed on December 31, no carrying charge is made. If not, the carrying charge is actually added to the statement at that time and is payable forthwith.

These terms may appear unduly generous to some store managers but there exists in Ottawa a condition which is unusual, in that a majority of credit purchasers are government employees who by the very nature of their employment and the security of their income have long been taught to expect excessive consideration and whose business is naturally sought by all the department stores in the city.

The addition of this carrying charge is not used as a threat to enforce collection or persuade customers to make prompt payment.

They were all notified at the outset and this is the only notification they received. New customers sign an "Application for Credit" form, containing a clause which covers the adding of this 1 per cent monthly to their account in case of delinquency. As a result, the addition of this charge has come to be an accepted thing and disputes over its payment are and have been since its inception, very rare.

The mechanics involved in carrying out the addition of this interest are simple. Two or three days before the end of the month each ledger keeper goes through her ledger and makes up the list of amounts to be charged. The rate involves no calculation and this list is quickly completed.

On the last day of the month the list is checked against the receipts from the time it was originally made up, to the close of business on the last day and the interest is then actually posted to the statements and proved in the usual way, the controlling entry being made through the journal. If a reversal of interest is necessary (and it is useless but to admit that occasionally it is) this can be made through the same medium.

(*Continued on page* 31.)

# Program for National "Old Guard" Day

## Thursday, May 4, 1933

**(A. D. McMullen, Chairman)**

EVERY member of the N. R. C. A. reading this announcement should immediately get out his blue pencil and make a ring around Thursday, May 4, on his calendar. It is a day of great importance to each of you. It's designated as "Old Guard" Day, but it is really National Retail Credit Day. It's your day, and only in proportion to your own acceptance of its value will you benefit.

Here is the announcement of Chairman A. D. McMullen, addressed to all Local Association Secretaries and Bureau Managers:

When our friend, Leop. Meyer, Past President of the National Association, started the idea of organizing the "Old Guard" Committee to promote a closer feeling among the credit men and women of the National Organization, my thought was "how can we bureau managers further the plan and obtain locally greater interest and cooperation?"

You know the "Old Guard" in a number of communities have been somewhat shirking their activity duties during the past few years, possibly because we bureau managers have not urged a continuous constructive program locally. The result being that our credit bureaus are not showing the constant progress we would like to experience.

To my way of thinking, and the thought is concurred in by Mr. Meyer and Mr. Woodlock, we now have an opportunity to tie in with the "Old Guard" Committee idea, capitalize on it for local community and bureau benefit and demonstrate locally that the credit fraternity is not only still on the map but willing to advance constantly in credit efficiency.

Following this thought is the proposal that *Thursday, May 4th,* be designated throughout the entire country as *"Old Guard" Day* and that each local association, prompted by the secretary or bureau manager, plan a program for that day somewhat along the following lines:

1. To celebrate "Old Guard" Day at an evening meeting, honoring the credit executive fraternity, particularly those qualified as representing the "Old Guard" of the community.

2. Plan a program that will have a tendency to:

(a) Arouse the credit fraternity to a consciousness of their own significance in the world of credits and in the program of the National Retail Credit Association.

(b) Develop community leaders among the credit men so that the accomplishments may be carried on during future years.

(c) Suggest and work out educational features that will add to local meeting interest as well as promote greater individual efficiency.

(d) Take greater interest in The Credit World, urging the preparation of articles that will be appreciated by distant readers.

(e) Promote the desirability of sending credit managers to state meetings and the National Conventions to contact other executives, exchange ideas and thoughts looking to the solution of the many problems of the credit department.

Each community, of course, must work out its own program—the above is just a thought or two to include.

An inspirational address by a fellow-member followed or preceded by entertainment numbers will do much toward cementing closer relationship and more cooperative spirit of the local credit fraternity than can be imagined.

And what an event this will be for publicity, locally, statewide, over the entire nation: Credit men and women meeting at the same hour, presenting the same subjects and creating a renewed interest of those who have lately been "holding out" somewhat in local activities.

» » »

## *Newspapers Boosting "Pay Promptly" Advertising Campaign*

Newspapers throughout the country are cooperating with local associations in putting over the New "Pay Promptly" Advertising Campaign sponsored by the National Retail Credit Association.

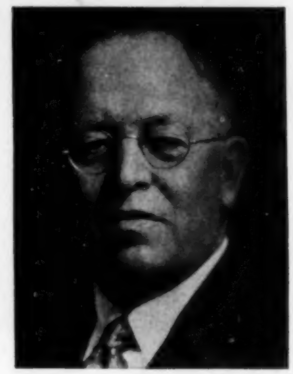
*The Houston Chronicle,* Houston, Tex., bought the entire campaign in the large (8″ × 12″) size. *The Republican* of Rawlins, Wyo., has also bought the campaign in cooperation with the local credit bureau.

Newspapers in many other communities are actively soliciting subscriptions, from local merchants, toward the cost of the campaign, and we urge our members to cooperate with them in this worthy movement.

» » »

***National "Old Guard" Day, May 4, 1933***

# THE PRESIDENT'S MESSAGE




**ARTHUR P. LOVETT**

**President National Retail Credit Association**


INAUGURATION DAY, March 4th, has again gone down into history, and our new President is in the White House. No matter what our political affiliations were prior to March 4, we, as credit executives covering this entire great country of ours, should get behind our new President 100 per cent.

Only with the cooperation of the citizens of this great country, both Democrats and Republicans, can we be brought out of this depression. Therefore, it is the sincere wish of your National President that the credit executives and members of our association covering the entire country will do everything they possibly can to be of help and assistance to put the country again on a prosperous basis.

This is no time, in my humble estimation, to get scared. We should face the situation with a steadfast belief that our Government, working in unison with the citizens of this country, will face this situation as the pioneers of old faced it, with a brave heart and a bold front. Then, in my estimation, we will have nothing to fear.

The credit executives and merchants of this country can, in the writer's estimation, hold their heads up very proudly when we realize the small percentage of loss that has taken place in charge accounts over a period of three years of the most disastrous depression known to the history of the world.

This has been done only with the cooperation of our credit bureaus and the splendid information that these credit bureaus have been able to gather for the protection of the charge accounts.

There is no doubt that many of the smaller merchants are using what I might term false economy by cancelling their memberships in our association and credit bureaus, for if ever a merchant needed protection on his charge accounts, it is today; and this not only applies to the large department stores, it applies, in my estimation, more seriously to the smaller merchant. Everything should be done by our local bureaus and credit managers to encourage the merchants, bankers, and professional men to stick to the ship.

The information obtainable at the credit bureaus is, in my estimation, the best insurance that ever a merchant bought, be he large or small. Like our National Government affairs, we can only continue to give out this valuable information with the cooperation of all concerned in extending credit.

Again I ask, as I did in my message at the convention at Washington: Let us have faith in one another, and above all, faith in our new President, and last, but by no means least, faith in our own United States.

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**Postscript:**

This is a personal appeal to each and every member to get behind the "Old Guard" Day movement and help to make it the success it deserves to be.

"Leop." Meyer is to be congratulated for the willingness and efficiency he has shown in the herculean task he has undertaken. He has laid the foundation for great achievements.

So I bespeak for him your sincere, whole-hearted cooperation in his program for the "Old Guard" Committee and National "Old Guard" Day.

Yours very truly,

A. P. Lovett

PRESIDENT

# Mayor Frank Murphy Addresses Detroit Credit Meeting

AT A JOINT meeting of the Associated Retail Credit Men, and the Ladies' Retail Credit Group, held in Detroit, February 9, 150 persons braved the "15-below" temperature to hear the mayor of their city. As Mayor Frank Murphy is so well known throughout the United States, excerpts from his address, relevant to any locality, and of universal interest, are quoted herewith:

"No problem arising out of the carelessness of man is insoluble—no condition in the body politic is incurable. The cure lies in our proper thinking—in hard work—in our willingness to sacrifice still further—in the keen diagnosis of our economic diseases, and the orderly treatment of these diseases.

"Because we have slowed down, there is no need and no logic in abandoning hope or faith. All is well in nature and Providence still is bountiful. Only man has slipped.

"The nation has the same great physical resources it had in 1929. It has the same 29,000,000 families, the best blood from the best nations of the Old World. It has the most virile, progressive and best educated people in the world, and such a people cannot fail unless selfishness dominates every private thought, word and action.

"Detroit has made a conspicuous record in retrenchment and in the practice of severe economy. No city has made equal progress in so brief a time. But more must be done. No item is too small to save—no waste too trivial to eliminate. Public confidence in government is an indispensable ally in the present struggle, and to secure it and maintain stability, government must be administered without just criticism of waste.

"The conservation of the human resources of the community is the business of our government. Safeguarding the community and all of its members is not only a primary obligation, it is the whole reason for existence of government.

"The ultimate solution of the unemployed problems must come out of a program of rehabilitation and reconstruction to be formulated by an enlightened and forward-looking leadership supported by an understanding and cooperating citizenry, that will seek to avoid pauperism and enable men now misplaced and idle to recover their economic independence and usefulness.

"We need to program our way out—we need to plan and follow the plan in orderly precision with analysis and foresight and cooperation—cooperation with the assistance of *all*. We must have as part and parcel of our municipal government every great industrialist, every great banker, every great professional man, every great leader of labor, every great mind irrespective of occupation, profession, wealth or poverty. No one is too lowly, no one too high to carry his share of the load in saving for all of us the city which is ours.

"You, who are engaged in credit work in our retail stores, occupy an important place in today's affairs. Your responsibility does not end with your relations to your store or customer. It is nation-wide.

"The revival of business will depend largely upon credit—the credit of government and of individuals. Credit is Faith—and faith in our people and in our government will bring us successfully through these man-made difficulties that surround us today."

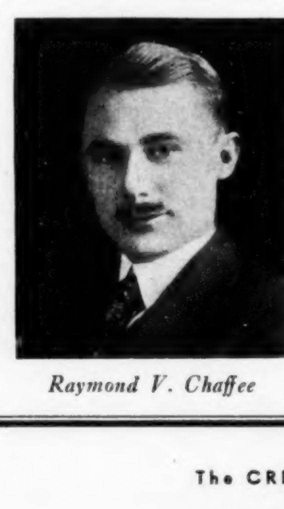
Mr. John Rose, President of the Associated Retail Credit Men, said:

"This is the first time that the mayor of the city has addressed the Association, and it is indicative of the growing importance of credit departments in civic affairs, and the part credit granters will hold in the upward climb of business."

Raymond V. Chaffee was guest soloist. Mr. Chaffee, a member of the Orpheus Club, an exclusive singers' club of Detroit, is well known to the credit profession through his position as credit manager of The Ernst Kern Company and his activities in the local Association and the National Retail Credit Association.

Detroit has two groups of retail credit workers organized for the study of Credits and Collections: The Associated Retail Credit Men, organized about ten years ago, and the Ladies' Retail Credit Group not quite a year old.

The February meeting of the Associated Retail Credit Men is annually conducted by the women members and it was found that a large number of the employees in the



*Raymond V. Chaffee*

credit and collection departments were girls and women whose only contact (outside of their own offices) with others in the same work was at this annual meeting. As a result, the Ladies' Retail Credit Group was formed with membership limited to women only, although men are invited to attend any meetings.

From a group of only fourteen, membership has grown to over fifty and an average attendance has been maintained at the monthly meetings of about forty.

The study of credit procedure and collection problems has been undertaken, with discussions led by members of the group and a guest speaker. Each meeting is held under the auspices of a different committee which provides for activity on the part of all members.

When asked if the two associations conflicted, Mrs. A. P. Walsh, Publicity Manager of the Merchants' Credit Bureau, and President of the Ladies' Group, replied:

"The study done by the Ladies' Group is necessarily of an elemental nature; while that in the Association is more advanced. A more thorough understanding of why certain things are done and not just a mechanical knowledge of how to do them makes for more efficiency among employees and added interest in their work. Then, too, the ladies' meetings have proved so interesting that the men avail themselves of the invitation to attend.

"This only tends to spur those in charge of Association meetings to improve them and the ladies naturally keep on improving their meetings. There is a friendly rivalry; the work dovetails nicely, and only favorable comments have been heard from those credit granters who have attended the meetings and are acquainted with the aims of the Ladies' Group."

We believe that there is an opportunity in other cities for the local association or through the bureau to carry on just such a program among women workers, to the benefit of all concerned.

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## *Are You Doing Your Part?*

Are you "too busy" to attend your local association meetings? Every day I hear members of our association offer this excuse for nonattendance—which is almost as poor as none.

Did you ever stop to think why you have your job and draw your present salary? It is due to the organized efforts of the National Retail Credit Association of which your association is a member!

The present period of unrest and nervousness in the business world offers credit men and women a greater opportunity than ever before to show their colors. Are you doing your part to make your association the organization it should be?

If you are not, get behind the wheel *and push!*

Go out and get a new member, encourage some old member to attend more regularly. Do your part to keep your organization together. You will be glad and the little extra work won't hurt you.—C. K. Taylor, *Credit Manager, Burk & Co., Nashville, Tenn.*

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## *National "Old Guard" Day, May 4, 1933*

## Improving Credit Conditions

**By I. H. Kline, Credit Manager, Pearce Dental Supply Co., Wichita, Kansas**

It is the tendency of some people to feel that if they have paid their dues to the Retail Credit Association, all the benefits and advantages of membership will automatically come to them without further effort. This is a situation comparable to trying to buy an education by simply paying a tuition.

No man can obtain full benefit from membership in any organization without contributing his fair share to the success of that organization. The payment of tuition alone did not bring to the dentist or to the doctor a knowledge of his profession. The man who achieves anything worth while does not stop with whatever operation is necessary on the bank account. He regards this merely as the matriculation fee, which qualifies him for the privilege of obtaining an education through experience and effort.

I am sure that the benefits to the entire community which would follow the proper functioning of this Association are so great that every member can well afford to do everything in his power to further the work of the National Retail Credit Association, of which we are affiliated members. That would require some effort, it is true, but nothing worth while has ever been accomplished without effort.

Every person granting credit, be he professional man or merchant, should join the Retail Credit Association. He should attend all meetings and do his part toward perfecting the records in the interchange bureau. He should utilize the credit information compiled by the Association, as well as all other services provided for, in order to save himself from bad debt losses. If this procedure is followed by all members, it will not be long until we will begin to see an improvement in the credit condition of our country.

Possibly I am an extremist on this subject. If so, it is because I know from actual experience of conditions which existed before there was a credit association—when such a thing as confidence between credit men was not even thought of as a future possibility, and the chief delight of any credit man was to learn that a competitor had guessed wrong. The joy over such an event was in direct proportion to the other fellow's loss.

I have been in the dental business long enough to have seen bad debt losses brought down from around 2 per cent to less than a half of one per cent, and it is to be expected that credit granters in all lines have had much the same experience. I am interested in seeing credit losses reduced, and so are you.

Knowing, as I do, of the tremendous improvement in the credit situation since credit associations came into the picture, I cannot too strongly emphasize the fact that the best way to improve our own individual credit condition is by becoming members of the National Retail Credit Association, through local Credit Bureaus, and actively engaging in all the functions of the organization.

# WASHINGTON BULLETIN


**R. PRESTON SHEALEY**

**Washington Counsel, National Retail Credit Association**


## FOREWORD

PROBABLY there is no legislation pending in Congress at this writing (March 30), of greater interest than the Glass banking bill, *S. 245*. That bill has not yet been reported out of Committee but before the special session is over is expected to be passed by Congress and become a law.

Among the features expected to be included are elimination of security affiliates, and state-wide branch banking. It has become increasingly evident that a unified banking system is an absolute necessity in this country and when this bill is passed it is expected to go a long way in that direction.

Retail credit granters are taking a leading part in this legislation and on March 22, Mr. John S. Wood, representing the Associated Credit Bureaus of New York State, Inc.—at the request of Mr. W. J. Morgan of Brooks Brothers (New York), chairman of the New York State Legislative Committee and a member of the Legislative Committee of the National Retail Credit Association—appeared before a special meeting of the New York State Assembly Committee to urge an amendment to the New York State Committee to permit state-wide branch banking in that state.

## Legislative

(a) Legislative matters at the Capital have moved with great rapidity and nothing illustrates the lightning-like changes better than the railroad situation. When the bankruptcy amendatory bill was approved on March 3, 1933, it contained a railroad reorganization provision which was expected to be utilized almost at once by a number of railroads for reorganization purposes. So far these reorganizations have not materialized.

A scaling down of capital structure apparently is necessary with some railroads but it now would seem that this important phase of our economic life will be under the general supervision of a director-general of railroads, much in the same way that the railroads were operated during the war period. As this bulletin goes to press, a draft of a bill is in preparation which is expected soon to be presented to Congress with the approval of the President and which may go far toward remedying the present plight of the railroads.

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***National "Old Guard" Day, May 4, 1933***

(b) During the closing days of Congress, a little-noticed bill became a law which, as the years roll on, may be of some importance to the general public and to the railroads themselves. Congress on February 15, 1933, passed the Welsh bill, which bill now permits railroads to carry the mails by motor buses.

Authority in statutory law was lacking before the enactment of this measure and as a consequence and with the elimination of many trains, delivery of mails on short hauls with reasonable promptness was becoming difficult.

Under this law, however, and with the railroads equipping themselves with the proper type of buses there should be some improvement in prompt delivery of the mails where the routes are short and where it is not practicable to carry mail by airplanes.

(c) Restoration of first-class postage to the former two-cent rate is just as much in the interest of the Government as in the interest of the merchant and this fact is becoming increasingly evident to Congress. For the fiscal year ending June 30, 1932, twelve million pieces of first-class mail were carried by the Post Office Department but it is expected that not more than seven billion will have been carried by the Department for the fiscal year ending June 30, 1933.

From present indications, the expected revenue from this source of $134,000,000 will have been reduced almost to the vanishing point, though, of course, wage reductions and other economies may hold the deficit of the Department as a whole down to around eighty million. Chairman Doughton of the House Ways and Means Committee has introduced a bill to reduce the rate from 3 cents to 2 cents and this bill is expected to be passed under a special rule by the House of Representatives in the very near future.

*What can the retail credit granter do to help in this movement in the Seventy-Third Congress? Write to headquarters of the National Retail Credit Association at St. Louis and you will be advised.*

## Departmental

(a) Tabulations were started March 27 on the Sixth Semi-Annual Retail Credit Survey, which is conducted jointly by the National Retail Credit Association and the U. S. Department of Commerce. Reports were received from 415 merchants located in 30 representative cities covering eight lines of trade, namely, Department Stores, Furniture, Jewelry, Men's Clothing, Shoes, Women's

Specialties, Electrical Appliances, and Automobile Accessories. The report is expected to be available around April 20.

(b) A report released during February by the U. S. Department of Commerce, entitled "Aids to Retail Grocery Profits," furnishes the grocer with a form for quick and direct application of the general finding of the Louisville Grocery Survey. Greater profits for the grocers and greater benefits to consumers through improved service and more economical operations have resulted from the use of these plans contained in this report. The necessity for adopting a definite credit policy is stressed as well as suggestions presented to improve collection methods.

(c) The third and last of a series of regional studies on the furniture industry, entitled "Furniture Distribution in the Gulf Southwest," has been released by the U. S. Department of Commerce. The purpose of this and the other two similar studies made by the department, it is pointed out, is to describe the character and methods of furniture distribution which have been evolved in the face of present conditions in the furniture trade, and to furnish a basis for determining the relative efficiency and profitableness of various methods of doing business.

A comprehensive analysis of retail furniture stores brings out the wide differences in many respects between stores specializing in installment sales and those that sell largely on a cash basis.

## Court Decisions

(a) Many department store and other retail units come in competition with sales on the street and from-door-to-door of hawkers and peddlers so that the case of *Healey v. Ratta* appealed to the Supreme Court of the United States from New Hampshire and involving the constitutionality of a New Hampshire state statute imposing a license tax upon hawkers and peddlers is of interest to retail units.

The court below decided that the state statute is a violation of the Constitution of the United States by reason of its alleged arbitrary and discriminatory character and was, therefore, unconstitutional. From this decision the State of New Hampshire, through its Attorney-General, moved to advance the case and the Supreme Court heard argument on the case on March 14, 1933.

(b) In these days of failures, the question of where and how a corporation is to be adjudicated a bankrupt is of interest, particularly if it does not happen to be a railroad corporation and coming within the new additional reorganization provisions added to the bankruptcy act in the closing days of the 72nd Congress. In *Royal Indemnity Co. v. American Bond and Mortgage Co.*, the Supreme Court has had presented to it for decision the question of whether a voluntary bankruptcy petition must be authorized by stockholders at a special meeting called for that purpose or by the board of directors, if the laws of the state under which the corporation obtains its legal existence provide for such petitions only to be authorized by stockholders.

In the instant case, creditors filed a petition in Maine, the legal home of the corporation, but thereafter the board of directors filed a voluntary petition in the State of Illinois. Thereupon the District Court of that state ignored the creditors' petition in Maine and adjudicated the corporation a bankrupt in Illinois. This question of jurisdiction presented has been the subject of many conflicting decisions in the various district and circuit courts of appeals but will finally be disposed of by the United States Supreme Court since the Court on February 20, granted the petition for a writ of certiorari.

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*National "Old Guard" Day, May 4, 1933*

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*National "Old Guard" Day, May 4, 1933*

## *Houston Elects New Officers*

On January 23, the Houston (Texas) Retail Credit Men's Association elected the following officers for the year 1933:

*Marley Styner*

President, Marley Styner, John L. Wortham & Son.
First Vice-President, Mike Weinstein, Foley Bros. Dry Goods Co.
Second Vice-President, A. F. Kuhleman, Krupp & Tuffly.
Treasurer, Henry C. Horne, Union National Bank.
Secretary, C. W. Hurley, Retail Credit Exchange, Inc.
Assistant Secretary, J. Collier Hurley, Retail Credit Exchange, Inc.

DIRECTORS

F. R. Springer, Humble Oil & Refining Company.
L. M. Jahn, Sakowitz Brothers.
P. J. Sterne, Merchants & Employees Finance Co.
Mrs. G. Humphries, Gordon Jewelry Company.
J. W. Faulkner, Byrd's.
T. A. Willbern, Dollahite-Levy.

# A Financing Plan to Liquidate Frozen Accounts

**By B. H. SANDERS**

**Manager, Gainesville Credit Exchange, Gainesville, Ga.**

THE financing of consumer-accounts by a credit bureau is second only to credit-reporting, from the standpoint of service to its members and the community in which it operates. Considering the added prestige, membership, and revenue, it is a service that ranks high enough to deserve the immediate and careful consideration of any credit association and its bureau.

The urgency of the call for such a service by so many debtors makes it needful for the creditors to recognize the fact they have oversold their customers or sold them without due regard to the resulting dangers, and that it is their duty to provide these customers with some honorable and adequate method of liquidating their accounts. It is also to the advantage of the creditors themselves.

The number of persons to whom these customers are indebted is often very large, and the payments they could make direct to *each* would, in many cases, be so insignificant as to be almost negligible. In fact they seldom attempt to make any payment at all.

It would seem sufficient for a number of business and professional men to agree that any of their debtors could apply to the credit bureau and make a "pooled-accounts" agreement, but pooled accounts in general do not work for various reasons. The principal one is that the debtor who has integrity and stability enough to be a satisfactory party to the agreement is unwilling for his creditors not to get their money in full or with discount and he wishes them to have it at once.

These are the two considerations that cause a certain amount of skepticism among the borrowers during the infancy of a consumer's finance company. You will understand, of course, that I am not speaking about debtors who are virtually forced into pooling their accounts.

The practical difficulties encountered with pooled accounts are not difficulties that can be overcome. The amount of clerical work on the part of the credit bureau or trustee is fifty times more than when the account was financed. The creditors also have much more clerical work and the accounts are not balanced on their books. For this reason, they almost invariably fail to hold makers of these agreements continuously as customers, either cash or credit, until the pools are paid out.

To sum up, from my own experience and from data obtained by comparison, I do not hesitate to say that pooling is unprofitable and unsatisfactory, and that the volume that can be attained is not sufficient to make an impressive showing.

Unfortunately, only a small percentage of our members can make a financial statement sound enough to justify banks and regular loan companies in handling these cases and paying off the accounts simply on the debtors' signatures and the merchants' endorsements for limited liability. If this were done, the majority of the creditors would be left out to harass the debtors and interfere with the payments—a complication which experience has proved is most likely to result.

The idea then is to set up something sound, dignified, practical, and profitable that *will* thaw out the accounts on your members' books regardless of the financial or credit status of any member and regain (or maintain) the good will of the customer.

Here I remind you again of what I said in the beginning about a certain duty of the creditors. Why should they object to trying a plan that will effect the desired result on a *mutual* basis?

If any merchant, doctor, or other member is broad and fair enough to be considerate of the interest not only of himself but of his colleagues, then he is as certain to be favorable toward the plan—when once he understands it—as he is toward anything else that is desirable and effective. As a matter of fact, when a sufficient number of your members understand how our finance company in Gainesville works, you will have such a company.

Our members have sufficient stock in the company to finance their accounts. They have acquired their stock gradually, and sometimes by simply endorsing our check in payment of a borrower's account back to us to be credited to their capital stock account.

During our two years of operation they have paid in $8,000 on stock, and we have paid them over $20,000 on their accounts. This did not inconvenience them, even

at the first, because they were virtually swapping accounts for stock.

It is evident that even if no more is paid in—assuming that we can keep our capital turning—the $8,000 will in the course of time finance a hundred thousand dollars, plus. As a matter of course, we shall undoubtedly require a larger capital when economic conditions improve sufficiently to enable scores of other people to use the service.

About fifty of our members are participating in this plan. They fully understand that it is mutual, self-capitalizing, and that the money they pay in is theoretically theirs. Also, none expect the other members to finance their accounts—to say nothing of the fact that the finance committee would not permit it.

It is when we carry a member his check that we ask, if necessary, for more money on stock. He cannot then say that he hasn't any money when he has or is about to have our check. Simple enough, it would seem; but the fact remains that work and patience are called for until the foundation of capital and good will is firmly established.

The effort however is well worth all it costs. Our loan department has increased the overhead of the Credit Exchange about $25 a month, but the additional income from it has been twice that plus a much larger membership.

In the beginning, in order to get started, we asked a few creditors who were non-members to permit us to pro rate their claims against borrowers to them; but this, like pooled accounts, is unprofitable and unsatisfactory, and we have not made any such agreement for the past 18 months.

We require that the capital stock stand as a lien, so the safety of our finance company is unquestionable.

We are not in competition with any bank or other firm or individual engaged in the loan business. We have found that frequently after we have financed the bulk of the obligations of a debtor that a bank or loan company feels itself then justified in lending him money on a straight loan with which to settle some odds-and-ends that we were unable to handle. Also, that where the banks and loan companies held notes against these debtors they received comparatively prompt settlement after we had financed the debtors.

Therefore our loan department works to the advantage of loan companies rather than in competition with them, though I have no doubt that the fear that a loan department would be in competition with loan companies has prevented many bureau managers from organizing a finance company in conjunction with their credit bureau.

### *Editor's Note:*

**This article is from an address delivered at the Southern Conference of the National Retail Credit Association, Savannah, Ga., March 20-21, 1933.**

Our members persuade their debtors by letters, inserts and personal contact to use our finance service. We have found it to be true, however, that the best advertisement we get is by word of mouth from those who have used the service. Small ads are occasionally run.

We tell the borrowers when they get the loan that we do not send out notices nor do we have an outside collector and that we expect them to make payments promptly as agreed.

Of course, we give all needed assistance to the debtor in executing the application blank on which, in addition to other information, he gives the names of his creditors and the approximate amount owed to each. As soon as we have verified these amounts, it is then determined whether we shall make the loan. If the decision is affirmative, the debtor is advised that his note is ready and he calls and affixes his signature, at which time he pays the application fee of $2.

The only change we have made in the original plan is that we now require the interest to be paid in advance. If the debtor does not have the cash with which to pay it, we take an interest note to be paid before payment begins on the principal note.

Any person in Gainesville who has the ability and determination to make the payments on a loan may settle his obligations with our members through us. About 135 have already taken advantage of our plan. Of course, we are expecting a sharp increase in volume as soon as economic conditions improve.

Practically any merchant, doctor, dentist, hospital, insurance agent, automobile dealer, etc., in Gainesville may suggest to his debtors that we will make a loan with which to settle his accounts. And, of course, the majority of these members can be depended on to mention the name of the finance company.

Some of our members who were skeptical in the beginning have now decided that they would rather have stock in the finance company than to have the cash value of their accounts. They are convinced, also, that the finance company has already been worth some ten thousand dollars to them. They have obtained 50 per cent more out of these accounts than they would otherwise have done, without cost, with faster turnover, and with everyone receiving his money on an equal basis.

Our collection percentage has not fallen below 90 per cent, but there is some danger of its doing so this month.

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That the small retail store is a big problem these days is indicated by Department of Commerce figures showing that 75 per cent of all retail stores have an annual business of less than $30,000 per store.

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The sale of toilet articles and preparations amounted to approximately $413,000,000 in 1929, not including those used by barber shops and beauty parlors.

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*National "Old Guard" Day, May 4, 1933*

# National Consumer Reporting— A Dream Come True!

**By GUY H. HULSE**

**Secretary and Educational Director, National Retail Credit Association**

CHANGES in the method of distributing commodities and service have opened a new field for credit bureau service. Organizing to handle *national consumer reporting* has, however, presented major problems. These problems may be classified as:

(a) *Complete National Coverage*—which means that every community must be under the supervision of an efficiently operated and adequately financed credit bureau.

This is necessary in order that those who use the service may secure a report on any and all subjects of inquiry regardless of their places of residence.

This problem has been solved through the wholehearted cooperation of State and Group State Associations. Supervising bureaus are managed by competent individuals trained in the fundamentals of consumer credit reporting. Their average managerial experience is eleven and a half years. This is the guarantee of a high type of reporting service.

(b) *A Simplified, Uniform National System:* This was well on its way to solution when the convention in Washington, D. C., authorized the formation of the National Consumer Credit Reporting Corporation. Through this service organization has been set up a simplified and uniform system which operates through five district offices, each in charge of a manager selected for his known ability and years of reporting experience. Each is assigned a definite territory.

A roster listing each supervising office and the communities under their supervision will be issued for each district. The roster forms and instructions will be given state, district and national users.

District Managers will sell the service and supervise reports in order that they may meet required standards.

(c) *A Uniform Service:* This requires that every report contain all essential information concerning each subject of inquiry. This will be accomplished by standard questionnaire forms for the various types furnished.

Example: In the Standard Questionnaire Form, complete information properly classified is given under Identity, History, Character, Resources and Credit Record. When this report is properly completed, the recipient will be in possession of the most complete report written. The same is true with the forms covering other types of reports.

The National Consumer Credit Reporting Corporation was chartered in August, 1932, by the State of Missouri. The Board of Directors, composed of A. D. McMullen, Oklahoma City, president, representing the South Central District; James D. Hays, Harrisburg, Pennsylvania, vice-president, representing the Northeastern District; Charles M. Reed, Denver, Colorado, representing the Western District; George C. Morrison, Toledo, Ohio, representing the North Central District; W. V. Trammell, Birmingham, Alabama, representing the Southeastern District; John N. Keeler, Portland, Oregon, A. P. Lovett, Kansas City, Missouri, David J. Woodlock, St. Louis, Missouri, and Guy H. Hulse, St. Louis, Missouri, met in St. Louis, September 9 and 10.

All work in connection with the signing of agreements and subscriptions to the capital stock of the corporation authorized by the board has been handled by the five district managers. EIGHT HUNDRED AND TEN BUREAUS out of the total requirement of eight hundred and fifty set by the Board of Directors have accepted their territories and signed their agreements.

The roster for the Southeastern District is now on the press. That district will be in production in April. Materials for the other four district rosters are practically ready for the printer.

National Consumer Reporting, which has been a dream for the past seven years, is now an actuality.

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## *President Lovett a Grandfather*

A. P. Lovett of Kansas City, Missouri, President of the National Retail Credit Association, is receiving congratulations on the arrival of his first grandchild, Nancy Lou.

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## *Debtor Kills Collector in San Francisco Store*

John A. Padgett, 52, a collector for Hale Brothers Department Store, San Francisco, Calif., was shot and killed on March 29 by Joe Sikorski, because he had repossessed a radio purchased by Sikorski, and upon which payments were a year in default. Sikorski walked into Padgett's office and, without a word, drew a revolver and pulled the trigger.

Frank Batty, Credit Manager of the store and Past President of the National Retail Credit Association, was at his desk ten feet away when the shooting occurred and assisted in capturing the murderer.

## Meeting Present-Day Competition

(Cont[illegible])

seldom runs less than [illegible] 6 [illegible]t for accounts running 4 months.

I venture to suggest that nea[illegible]very one of us keeps a careful record of some feature of our office—typewriter ribbons, stationery, or some such item and yet, for the most part, the really big costs are wholly unrecorded and wholly unstudied.

What do you know about your form letters and your collection efforts? Not surmises—facts. Have you tested the pulling power of your various collection means by tabulating large numbers of efforts so that you know, for example, that Form Letter 2 should produce 10 per cent results and that Form Letter 3 can be expected to produce only 5 per cent? Have you done that, and then what effort have you made to analyze *why* Form Letter 2 pulls 10 per cent and the other only 5 per cent —or do you, on the contrary, write a letter that looks good to you, put it in the form book and send it out whenever it approximately fits the situation?

You can probably tell me immediately the cost of mailing a bill to one of your customers, but can you tell the day of the week that your past due statements should be mailed to receive the best attention? And can you prove your statement by figures from comprehensive tests?

Should the period of follow-up be 1 week, 10 days, or 2 weeks? Which produces best results? And what days or periods apply to different classes of customers?

Those are just some questions applying to retail credit on open account. May I also ask questions of those who sell on deferred payments, who have, in addition to credit and collections, the problem of carrying charges and terms?

What is the relation of terms on your merchandise to prompt payment? Can you tell whether 3 monthly payment terms or 5 monthly payment terms will be met more promptly? At what point in your business does the percentage of serious trouble commence to rise sharply? Six months, 9 months, 12 months, 18 months—or where is it?

In one establishment selling goods on the installment plan, the percentage of delinquency in 3-month contracts runs as high as 30 per cent, that is payments not made on time—falls in 5, 6 and 7 months' contracts to as low as 11 per cent and then rises sharply *on longer terms.*

Of a radio or a washing machine or miscellaneous furniture sold for the same amount and the same terms—what will be the percentage of delinquency applying? On which of these articles can you be more sure of prompt payment? There is a wide difference inherent in the type of merchandise, even though sold to the same persons and at the same terms—and the merchant selling deferred payments should know these relations just as the manufacturer must know the margin on each of his lines.

If you will examine the rates charged by finance corporations who, to continue their existence, have tested these matters, you will discover that they know these differences and apply them in their carrying charges.

May I ask: If you have not established these and other basic facts about *your* business, how can you efficiently control the extension of credit?

Time permits only a few examples to be brought out here in the hope of portraying a field which seems to be grossly neglected and in an effort to demonstrate that there is a great deal to be done in credit association work other than to pass resolutions as to the unity of terms and the need of bureaus.

If you apply for a life insurance policy, the facts about you are marked down, becoming a case history much as your credit application for a new customer. In our credit business, we are prone to examine that case history and make a decision on it, but if the insurance companies made their decisions, selling life insurance on your case history, they would soon go broke. They must apply the principles which they have ascertained for persons of like age and condition; then the rate is commensurate.

The first step, then, in credit control, lies in the scientific knowledge of the nature of the credit business we are doing and the establishment of facts about our own conduct in it, and the conduct of our customers.

Our control must begin much as does that of a merchandise department, by an education of those in charge in the necessity of obtaining accurate records and the reasons for them and a further education and instruction in methods to overcome difficulties that these records show. Any competent cost accountant or statistician can point out the procedure of obtaining the data.

If competition is to be met through credit control, not by openly or secretly giving special terms, bonuses and so-called courtesies, but with some hope of ultimate improvement in credit conditions and in profits, it must be by first clearing away some of the fogs of guesswork and basing our credit practices on scientific inquiry into our business.

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**National "Old Guard" Day, May 4, 1933**

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## N.R.C.A. "*Pay Promptly*" *Campaign for Honolulu*

Mr. Nelson Pringle, Credit Manager of the *Star-Bulletin,* Honolulu, Hawaii, writing for mats of the new "Pay Promptly" Campaign says: "Local credit men are anxious to get it under way . . . to make collection conditions better and break down slow paying habits that have come down from the early days of the territory when accounts were settled once a year."

# A Call to Arms!

## By H. VICTOR WRIGHT

**Chairman, Objective No. 6, "Old Guard" Committee**
**Past President, National Retail Credit Association**

"WE ARE at war!" These were the opening words of an address which I made when President of the National Retail Credit Association fifteen years ago! I use them again. We *are* at war—a war the victorious outcome of which no red-blooded American ever doubts. We shall win! And this is a call to arms!

After years of silence this is my apology for addressing the men and women in all parts of our country who are devoting their lives to the problems which relate to the extension of consumer credit.

During the period of the World War—regardless of honest differences of opinion as to its cause, or the justification for our participation—when the call came we responded, as a nation and as individuals, in a spirit of sacrifice and service, without hesitation or reserve.

We girded ourselves for the fray, whether to fight on foreign soil, or to protect our own. *No sacrifice was deemed too great; no slacker wore a halo of esteem.*

To the dispensers of retail credit new problems presented themselves for solution.

Our merchants recognized their presence—with the result that they gave ready opportunity to the men and women upon whom these new responsibilities rested, for such an interchange of thought and experience as was necessary to the formulating of a national policy of credit extension consistent with the new conditions which the World War created.

Happily, too, the credit men and women of that period, in large numbers, were awake to the dangers of ignorance and isolation and to the advantages of mutual counsel and concerted action. The results were gratifying indeed.

Soil that was well prepared yielded plenteously. The credit departments in our mercantile institutions soon gained recognition as business builders; the credit manager became an important cog in the wheels of the machinery of retail distribution.

What measure of success the merchants of that period owe to their own foresight, or to their receptiveness to the vision of those to whom they had delegated the responsibility of credit extension, no man can measure. It is beyond the scope of computation.

And now—fifteen years later—we are at war—*at war with fear,* the penalty we are paying for avarice and greed.

New problems have presented themselves, no less difficult of solution than were those of an earlier period.

The need for a clearly defined policy of action, the need for the utmost efficiency in our credit departments and in our bureaus was never greater than today. How are we meeting it?

Are our merchants recognizing this need? Are the heads of our credit departments awake to the dangers which confront them? Do our bureaus realize the new responsibilities which await them? Is there the same spirit of service and of sacrifice? Is there as keen a sense of the value of cooperative action and coordinated effort as there was during the period of the former struggle? It is not for me to answer!

But, if not, then this is a call to arms—a call for cooperation greater than ever before, because the need is greater.

While I am penning these lines, the banking institutions of our country, by executive order, have ceased to function, but personally, I believe that a new "Armistice Day" will shortly dawn—an armistice with fear, and the stupendous struggle which has gripped us as a nation will be over.

But will the need for cooperative effort have suddenly ended? It will not!

Just as the Armistice of November, 1918, left its problems, based upon the new conditions which the end of the World War created, so will the termination of this war leave in its trail new and urgent and vital problems, based upon the new conditions which the economic struggle of this later period has created.

Fortunes have been swept away. Reserves have been depleted, or obliterated. Incomes have been reduced, or have entirely ceased. The financial status of almost every credit seeker has been affected by the economic debacle.

Undischarged obligations of the past must be dealt with—firmly or leniently—according to a policy to be determined. The right to incur new obligations may call for new methods of procedure and protection.

There is ONE—and *only* one—BEST way of meeting every problem. To find that best way of solving the problems created by this economic struggle and to adopt that way, not merely individually but as a national policy, becomes the need of the hour.

The accomplishment of this purpose, as I see it, makes it imperative that the men and women upon whose shoulders the responsibility of credit extension has been placed, should be afforded—and should grasp—the opportunity to work out these problems, shoulder to shoulder.

Contacts must be established. Interchange of thought and experience must follow—as a result of which new policies will be formulated and adopted, based not upon the judgment of one, but upon the judgment of many.

A new era is dawning and with it will come new and larger opportunities for service. Are we going to be ready to meet them?

*Yes, this is a call to arms!*

## Wage Cuts and Credit

(*Continued from page* 6.)

warning as to the lack of responsibility or already incurred indebtedness at other stores. Credit managers should and must cooperate most closely to the end that the bureau has, and records, all possible facts concerning the applicant or credit user.

The bureau in turn must measure up to the high standard of achievement demanded of it by the exigency of the times. The picture of responsibility must be clear and the mechanism closely watched and perfected. The institution and maintenance of an adequate "Watch Service," a record of delinquent and chronic slow payers, a record of heavy returns of merchandise and so on, should be the paramount duty and responsibility of the credit bureau.

Inactive accounts which become reactivated should be carefully scrutinized for new conditions of income, responsibility, and safety.

The rehabilitation of closed accounts, suspended accounts, and unsatisfactory accounts, should be handled with the greatest of care, intelligent insight and sympathetic appreciation of the difficulties which have overtaken most of us. At the same time, keep in mind the first duty of the credit manager to safeguard the interest of his employer.

To sum up: We must return to sanity in the extension of retail credit. We must learn anew the importance of "capacity" in the well-known triangle of credit, "Character, Capital, and Capacity." We must remember that credit is a tool of business, to be used as a "convenience" or "accommodation" and that to use credit as a necessity to increase sales is not sound in these times.

## Carrying-Charge Plan Successful in Canada

(*Continued from page* 19.)

This plan has now been in effect for several months and it is the unanimous opinion of those using it that the results exceed our anticipations, not only as a substantial revenue earned from the delinquent accounts, which goes a long way toward offsetting collection costs and bad debts, but the collection rate has visibly increased since the inception of the plan and this increase promises to continue.

The stores in Ottawa using the plan commend it unreservedly to any community which has not yet taken this step.

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***National "Old Guard" Day, May 4, 1933***

## *National Retail Credit Association Legislative Committee Active*

The Legislative Committee of the National Retail Credit Association: J. R. Hewitt, Baltimore, Chairman; C. M. Keefer of Washington and W. J. Morgan of New York, and R. Preston Shealey, Washington Counsel, have been exceptionally busy. In addition to constant and persistent work on amendments to the Bankruptcy Law, they are urging the restoration of the two cent postage rate on first-class mail within city limits; the passage of the Branch Banking Bill and an Executive Order requiring prompt payment of accounts by Federal employees.

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## *New York State Conference*

New York State Conference of Credit Executives and Bureau Managers was held in Schenectady, New York, February 20, 21, 1933. Sixty-five delegates were registered. Program was constructive. Addresses delivered were on subjects of prime importance to credit granters under present conditions. They showed that serious thought is being given to these problems. The next conference was awarded to Rochester. Frederick W. Waite, Manager of the Credit Bureau of Rochester, was elected President of the Associated Credit Bureaus of New York.

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***National "Old Guard" Day, May 4, 1933***

## Profitable Store Operation—

(*Continued from page* 13.)

speaker's scheme of a central credit information furnishing bureau with the result that early in 1914, the idea in principle, was approved by the Board of Directors of the Associated Retailers. Then started the battle, with Mr. Niemoeller as referee, as to how the necessary credit experience was to be obtained from the ledgers of these individual stores and made available as general information for all.

No other city in the country except Cleveland was making a study of credit needs or conditions at that time. Consequently, your bureau was built on an entirely original plan. Almost a million cards were collected from eleven (11) stores and the information contained thereon transferred to master cards, enabling the bureau to start in business with very comprehensive, accurate and up-to-the-minute credit information.

The success of the bureau is eloquent testimony of the foresight of those who laid its foundations and the speaker, knowing that several of the gentlemen who were responsible for the building up of our present credit bureau are still members of the Association of Retail Credit Men and at present in charge of credits in the same institutions with which they were identified 19 years ago, does not hesitate to leave to these fine, fertile, veteran minds augmented by those of their present associates, and under the guiding hand of Mr. Niemoeller as before, the task of working out a solution of our present difficulties.

The same procedure, with the same patient and practical application to the task, by this group of people, can and will be as fruitful in results in 1933 as in 1914.

In a broad sense, the things that we should take under consideration would be the cost of carrying the "installment plan" open account in which the customer pays an installment at the cashier's window, thus maintaining what is known as a "running account" and how this class of account should be handled in the future.

There is no doubt in the speaker's mind that a carrying charge and interest are necessary to overcome the loss on this sort of an account. He has had many years of experience with this kind of account in his own business and can give exact information as to the cost of carrying such accounts.

At the moment, for general information, it can be stated that the store of which your speaker happens to be president, outside of the regular charge business, operates a Budget Plan, wherein a carrying charge and interest are added to the cost of the merchandise. The interest, in our case, goes to the bank and we get our money the next day. The carrying charge is divided between ourselves and the banking institution.

Our part of the carrying charge has built up a reserve at times as high as $5,500 against which are charged, from time to time, the accounts which we repurchase, all accounts being guaranteed by us to the bank.

Times there have been during this period, when our reserve has been almost wiped out by repurchased accounts. Just now we have a reserve of a little over $2,500. Therefore, I ask you in view of this experience to consider carefully the cost of carrying unliquidated running accounts. The cost of this expensive luxury and most of the cost of charge business over cash can be lifted from the shoulders of the merchants by united action on the part of the members of this organization.

The best information that I have been able to obtain as to the cost of charge accounts over cash is as follows:

| | |
|---|---|
| Charge office salaries | 1.6 % |
| Associated Retailers' Credit Reports | 0.3 % |
| Collection expense, attorney fees, form letters, etc. | 0.14% |
| Statement postage | 0.23% |
| Secondary postage | 0.13% |
| Stationery and office supplies | 0.15% |
| Depreciation on equipment | 0.08% |
| Additional expense applicable to charge office, auditing expense and cashiers, etc. | 0.45% |
| Losses on bad debts (P. & L.) | 0.86% |

Add to this the interest on average outstandings, the percentage of which to the net charge business is exactly 1.4 per cent and subject to no variations in any store, being figured at 6 per cent per annum, making a total cost of doing charge business, 5.34 per cent.

The volume of credit in retail stores which do a credit and cash business is growing rapidly. The cash business in these stores is decreasing, of course, as rapidly as the credit business is growing.

The largest and most successful cash retail store in the United States pays an annual dividend of 6 per cent to its registered cash customers besides paying interest on the cash balance of its deposit accounts and has found this business very profitable. Our study of the cost of doing a charge business makes this apparently lavish outlay for the procurement of cash business justifiable.

In the discussion of our problems, it may appear that running accounts *certainly*—and probably all charge accounts—to be profitable should pay a carrying charge and interest.

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## *Do You Use the National Stickers?*

One of our department store members has been using the collection stickers printed under the insignia of the National Retail Credit Association with very good results.

They received a letter from one of their customers with reference to the sticker which reads, "Your remittance for this past due account will be appreciated. We'll be watching for it. Many Thanks."

She wrote on the bill which she returned to the store "This is one of the nicest 'reminders' I've ever noticed anywhere."

These stickers sell for $2.00 per thousand, plus postage and may be ordered in any quantity. If you wish to look them over you will find copies in the *Credit World*. Telephone or write in your order to the Bureau.

Many of our members have found that these stickers are often more effective than letters and much less expensive.—*Bulletin of the Credit Bureau of Greater New York, Inc.*